

# City Council Agenda

**JULY 24, 2012**

**7:00 p.m.**

**City of Turlock Yosemite Room**

**156 S. Broadway, Turlock, California**



**Mayor  
John S. Lazar**

**Council Members**  
**William DeHart, Jr.**  
**Forrest White**  
**Amy Bublak**  
**Mary Jackson**  
**Vice Mayor**

**City Manager**  
**Roy W. Wasden**  
**City Clerk**  
**Kellie E. Weaver**  
**City Attorney**  
**Phaedra A. Norton**

**SPEAKER CARDS:** To accommodate those wishing to address the Council and allow for staff follow-up, speaker cards are available for any agenda item or any other topic delivered under Public Comment. Please fill out and provide the Comment Card to the City Clerk or Police Officer.

**NOTICE REGARDING NON-ENGLISH SPEAKERS:** The Turlock City Council meetings are conducted in English and translation to other languages is not provided. Please make arrangements for an interpreter if necessary.

**EQUAL ACCESS POLICY:** If you have a disability which affects your access to public facilities or services, please contact the City Clerk's Office at (209) 668-5540. The City is committed to taking all reasonable measures to provide access to its facilities and services. Please allow sufficient time for the City to process and respond to your request.

**NOTICE:** Pursuant to California Government Code Section 54954.3, any member of the public may directly address the City Council on any item appearing on the agenda, including Consent Calendar and Public Hearing items, before or during the City Council's consideration of the item.

**AGENDA PACKETS:** Prior to the City Council meeting, a complete Agenda Packet is available for review on the City's website at [www.cityofturlock.org](http://www.cityofturlock.org) and in the City Clerk's Office at 156 S. Broadway, Suite 230, Turlock, during normal business hours. Materials related to an item on this Agenda submitted to the Council after distribution of the Agenda Packet are also available for public inspection in the City Clerk's Office. Such documents may be available on the City's website subject to staff's ability to post the documents before the meeting.

- 1. A. CALL TO ORDER**
  - B. SALUTE TO THE FLAG**
- 2. PROCLAMATIONS, RECOGNITIONS, APPOINTMENTS, ANNOUNCEMENTS & PRESENTATIONS: None**
- 3. A. SPECIAL BRIEFINGS**
  - 1. CALIFORNIA STATE UNIVERSITY STANISLAUS:**
    - Joseph Sheley, Ph.D., Interim President
- B. STAFF UPDATES:**
  - 1. ASA Softball B Western National Tournament 16 & 18 Under (*Van Guilders*)**

Any invocation that may be offered before the official start of the Council meeting shall be the voluntary offering of a private citizen, to and for the benefit of the Council. The views or beliefs expressed by the invocation speaker have not been previously reviewed or approved by the Council and the Council does not endorse the religious beliefs or views of this, or any other, invocation speaker.

**C. PUBLIC PARTICIPATION:**

This is the time set aside for members of the public to directly address the City Council on any item of interest to the public, before or during the City Council's consideration of the item, that is within the subject matter jurisdiction of the City Council. You will be allowed three (3) minutes for your comments. If you wish to speak regarding an item on the agenda, you may be asked to defer your remarks until the Council addresses the matter.

No action or discussion may be undertaken on any item not appearing on the posted agenda, except that Council may refer the matter to staff or request it be placed on a future agenda.

**4. A. DECLARATION OF CONFLICTS OF INTEREST AND DISQUALIFICATIONS**

**5. CONSENT CALENDAR:**

Information concerning the consent items listed hereinbelow has been forwarded to each Councilmember prior to this meeting for study. Unless the Mayor, a Councilmember or member of the audience has questions concerning the Consent Calendar, the items are approved at one time by the Council. The action taken by the Council in approving the consent items is set forth in the explanation of the individual items.

- A. Resolution: Accepting Demands of 6/21/12 in the amount of \$3,162,723.04; Demands of 6/28/12 in the amount of \$746,236.99
- B. Motion: Accepting Minutes of Regular Meeting of July 10, 2012
- C. Motion: Accepting improvements for City Project No. 11-56, "Dale Pinkney Park Arbor," and authorizing the City Engineer to file a Notice of Completion
- D. Resolution: Considering Intention to Levy and Collect Assessments for the Blue Diamond Landscaping, Lighting, and Street Maintenance Benefit Assessment District, Project No. 12-21
- E. Motion: Accepting improvements for City Project No. 12-23, "City Hall Carpet to Tile Conversion-2nd Floor," and authorizing the City Engineer to file a Notice of Completion
- F. Motion: Accepting improvements for City Project No. 12-32, "Rollup Door Replacement at Fire Station No. 2 & No. 4," and authorizing the City Engineer to file a Notice of Completion
- G. Motion: Approving Amendment No. 1 to the reimbursement agreement between City of Turlock and Turlock DB, LLC, in the amount of \$33,700, for the construction of a sewer lift station associated with the Northwest Triangle Specific Plan and its associated Fee Nexus Study, bringing the total to \$287,636
- H. Resolution: Directing the City Manager or Director of Development Services/City Engineer to sign all right-of-way certifications, assurances and statements in regard to any and all Federal Highway Administration (FHWA) and Federal Transit Administration (FTA) projects for the Federal Fiscal Year 2012-13
- I. Resolution: Considering Intention to Levy and Collect Assessments for the Parcel Map 11-04 (Avena Bella) Landscaping, Lighting, and Street Maintenance Benefit Assessment District, Development Project No. 11-32
- J. Resolution: Considering Intention to Levy and Collect Assessments for the Parcel Map 12-01 (Moline) Landscaping, Lighting, and Street Maintenance Benefit Assessment District, Development Project No. 12-33
- K. Motion: Approving Contract Change Order No. 1 in the amount of \$324,475 (Fund 415) for City Project No. 0751, "Turlock Regional Water Quality Control Facility Headworks and Secondary Treatment Capacity Expansion - Phase 1," bringing the contract total to \$23,414,475

- L. Resolution: Authorizing the City Manager to sign the ITRON Statement of Work, as well as any future documents related to the endpoint replacement, project infrastructure, and software support for the "AMR Water Meter Warranty Project"
- M. Motion: Authorizing the sole source repairs to uplifted sidewalks in various locations of the City, in an amount not to exceed \$30,000, with Precision Concrete Cutting (PCC) for the Parks, Recreation and Public Facilities Division, without compliance to the formal bid procedure
- N. Resolution: Appropriating unspent funds from Fiscal Year 2011-12 in the total amount of \$52,134 to account numbers 506-00-000-221.51020 "Parks Equipment Replacement," 506-00-000-220.51020 "Public Facilities Equipment Replacement," 506-00-000-232.51020 "Storm Equipment Replacement," 506-00-000-231.51020 "Streets Equipment Replacement," and 506-00-000-234.51020 "Landscape Assessments Equipment Replacement" from Fund 506 "Equipment Pool Replacement's" respective reserve balances for the purchase of two (2) Ford F250 4x2 regular cab ¾ ton pickup trucks
- O. Motion: Authorizing the approval and execution of an agreement between the City of Turlock and City of Modesto to provide law enforcement services in and around the X-Fest venue scheduled for August 4, 2012 in Modesto, California
- P. Motion: Rejecting Claim for Damages filed by Jesse Lewis Hassler, Jr.

6. **FINAL READINGS:** None

7. **PUBLIC HEARINGS:**

- A. Request to confirm diagrams, assessments and reports and levying assessments for Fiscal Year 2012/13 for all Lighting, Landscaping and Street Maintenance Benefit areas with the City of Turlock. (*Whitmore*)

***Recommended Action***

Resolution: Confirming diagrams, assessments and reports and levying assessments for Fiscal Year 2012/13 for all Lighting, Landscaping and Street Maintenance Benefit areas within the City of Turlock

8. **SCHEDULED MATTERS:**

- A. Request to authorize the Form of and authorize the Execution and Delivery of an Indenture, a Master Installment Purchase Agreement, a 2012 Supplement thereto, a Bond Purchase Contract, a Continuing Disclosure Agreement and an Official Statement relating to an Installment Purchase Financing and Approving certain actions in connection therewith. (*Lorenzi*)

***Recommended Action:***

Resolution: Authorizing the Form of and Authorizing the Execution and Delivery of an Indenture, a Master Installment Purchase Agreement, a 2012 Supplement thereto, a Bond Purchase Contract, a Continuing Disclosure Agreement and an Official Statement relating to an Installment Purchase Financing and Approving certain actions in connection therewith

**9. COUNCIL ITEMS FOR FUTURE CONSIDERATION**

**10. COUNCIL COMMENTS**

Councilmembers may provide a brief report on notable topics of interest. The Brown Act does not allow discussion or action by the legislative body.

**11. CLOSED SESSION**

Conference with Legal Counsel – Anticipated Litigation, Cal. Gov't Code §54956.9(b)

Potential Cases: (1case)

**12. ADJOURNMENT**

5A

BEFORE THE CITY COUNCIL OF THE CITY OF TURLOCK

IN THE MATTER OF ACCEPTING DEMANDS }  
OF 6/21/12 IN THE AMOUNT OF }  
\$3,162,723.04; DEMANDS OF 6/28/12 IN THE }  
AMOUNT OF \$746,236.99 }  
\_\_\_\_\_}

RESOLUTION NO. 2012-

WHEREAS, the City has received demands for ratification and approval.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Turlock does hereby accept Demands as follows:

Demands of:	In the Amount of:
6/21/12	\$3,162,723.04
6/28/12	\$746,236.99

PASSED AND ADOPTED at a regular meeting of the City Council of the City of Turlock this 24<sup>th</sup> day of July, 2012, by the following vote:

- AYES:
- NOES:
- NOT PARTICIPATING:
- ABSENT:

ATTEST:

\_\_\_\_\_  
Kellie E. Weaver, City Clerk,  
City of Turlock, County of Stanislaus,  
State of California

# Payment Register

From Payment Date: 6/15/2012 - To Payment Date: 6/21/2012

Number	Date	Status	Void Reason	Reconciled/ Voided Date	Source	Payee Name	Transaction Amount	Reconciled Amount	Difference
AP - Accounts Payable									
88997	06/19/2012	Voided	DEPT REQUESTED	06/20/2012	Cash Amount	OLD REPUBLIC TITLE CO	\$33,000.00		
	Paying Fund								
	256 - Stanislaus Housing Consortia				256.11000 (Cash)		\$33,000.00		
88998	06/20/2012	Open			Accounts Payable	WESTAMERICA BANK	\$33,000.00		
	Paying Fund								
	256 - Stanislaus Housing Consortia				256.11000 (Cash)		\$33,000.00		
88999	06/21/2012	Open			Accounts Payable	ACCOUNTTEMPS INC	\$327.94		
	Paying Fund								
	410 - WATER QUALITY CONTROL (WQC)				410.11000 (Cash)		\$163.97		
	420 - WATER				420.11000 (Cash)		\$163.97		
89000	06/21/2012	Open			Accounts Payable	AIRGAS NCN	\$776.82		
	Paying Fund								
	110 - General Fund				110.11000 (Cash)		\$96.82		
	410 - WATER QUALITY CONTROL (WQC)				410.11000 (Cash)		\$680.00		
89001	06/21/2012	Open			Accounts Payable	ALLIANCE SBDC	\$1,945.00		
	Paying Fund								
	258 - Housing Stimulus Funds				258.11000 (Cash)		\$1,945.00		
89002	06/21/2012	Open			Accounts Payable	ANDREWS ELECTRIC MOTORS	\$3,202.20		
	Paying Fund								
	410 - WATER QUALITY CONTROL (WQC)				410.11000 (Cash)		\$1,190.12		
	420 - WATER				420.11000 (Cash)		\$2,012.08		
89003	06/21/2012	Open			Accounts Payable	APPLIED PEST MANAGEMENT INC	\$260.00		
	Paying Fund								
	410 - WATER QUALITY CONTROL (WQC)				410.11000 (Cash)		\$260.00		
89004	06/21/2012	Open			Accounts Payable	AT&T MOBILITY	\$923.19		
	Paying Fund								
	110 - General Fund				110.11000 (Cash)		\$844.92		
	501 - Information Technology				501.11000 (Cash)		\$78.27		
89005	06/21/2012	Open			Accounts Payable	AT&T/SBC	\$31.43		
	Paying Fund								
	110 - General Fund				110.11000 (Cash)		\$31.43		
89006	06/21/2012	Open			Accounts Payable	BANK OF AGRICULTURE & COMMERCE	\$752.00		

5A1

# Payment Register

From Payment Date: 6/15/2012 - To Payment Date: 6/21/2012

Paying Fund	Cash Amount	Amount
89007	305 - Capital Facility Fees	\$752.00
06/21/2012	Open	
Paying Fund	Accounts Payable	BOM APETITE CATERING
89008	266 - Police Services Grants	\$1,664.31
06/21/2012	Open	
Paying Fund	Accounts Payable	BONANDER TRUCKS
89009	110 - General Fund	\$39.92
06/21/2012	Open	
Paying Fund	Accounts Payable	CAROLLO ENGINEERS
89010	410 - WATER QUALITY CONTROL (WQC)	\$4,698.15
06/21/2012	Open	
Paying Fund	Accounts Payable	CARROLL INC, ROSS F.
89011	305 - Capital Facility Fees	\$10,279.35
06/21/2012	Open	
Paying Fund	Accounts Payable	CAS CONSTRUCTION
89012	625 - Successor Agency - LMI	\$3,002.00
06/21/2012	Open	
Paying Fund	Accounts Payable	CEN CAL FIRE SYSTEMS INC
89013	305 - Capital Facility Fees	\$36,716.18
06/21/2012	Open	
Paying Fund	Accounts Payable	CENTRAL VALLEY COMMUNITY BANK
89014	305 - Capital Facility Fees	\$3,273.45
06/21/2012	Open	
Paying Fund	Accounts Payable	CHARTER COMMUNICATIONS
89015	110 - General Fund	\$49.99
06/21/2012	Open	
Paying Fund	Accounts Payable	CITY OF MODESTO
89016	420 - WATER	\$9,678.62
06/21/2012	Open	
Paying Fund	Accounts Payable	COMBINED BENEFITS ADMIN C
89017	511 - Health Insurance	\$127,545.25
06/21/2012	Open	
Paying Fund	Accounts Payable	COMBINED BENEFITS ADMIN C

# Payment Register

From Payment Date: 6/15/2012 - To Payment Date: 6/21/2012

Paying Fund	Cash Amount	Amount
511 - Health Insurance	511.11000 (Cash)	\$103,115.84
06/21/2012 Open	Accounts Payable	CUMMINS WEST INC
Paying Fund	Cash Amount	Amount
426 - Transit - BLAST	426.11000 (Cash)	\$1,484.11
06/21/2012 Open	Accounts Payable	CURTIS & SONS INC, L N
Paying Fund	Cash Amount	Amount
110 - General Fund	110.11000 (Cash)	\$4,720.21
06/21/2012 Open	Accounts Payable	CWEA
Paying Fund	Cash Amount	Amount
410 - WATER QUALITY CONTROL (WQC)	410.11000 (Cash)	\$264.00
06/21/2012 Open	Accounts Payable	DIEDE CONSTRUCTION INC
Paying Fund	Cash Amount	Amount
305 - Capital Facility Fees	305.11000 (Cash)	\$6,768.00
06/21/2012 Open	Accounts Payable	DOWNEY BRAND ATTORNEYS
Paying Fund	Cash Amount	Amount
410 - WATER QUALITY CONTROL (WQC)	410.11000 (Cash)	\$162.50
06/21/2012 Open	Accounts Payable	EDWARDS, TROY J
Paying Fund	Cash Amount	Amount
110 - General Fund	110.11000 (Cash)	\$2,559.60
06/21/2012 Open	Accounts Payable	ELITE LANDSCAPING INC
Paying Fund	Cash Amount	Amount
215 - Streets - Grant Funded Projects	215.11000 (Cash)	\$144,299.70
06/21/2012 Open	Accounts Payable	ENGINEERED FIRE SYST INC
Paying Fund	Cash Amount	Amount
110 - General Fund	110.11000 (Cash)	\$810.00
06/21/2012 Open	Accounts Payable	EQUIFAX
Paying Fund	Cash Amount	Amount
255 - CDBG	255.11000 (Cash)	\$12.83
06/21/2012 Open	Accounts Payable	FARIA, JAMIE
Paying Fund	Cash Amount	Amount
104 - Payroll Clearing Fund	104.11000 (Cash)	\$427.50
110 - General Fund	110.11000 (Cash)	(\$1.50)
06/21/2012 Open	Accounts Payable	FEDERAL EXPRESS
Paying Fund	Cash Amount	Amount
110 - General Fund	110.11000 (Cash)	\$233.44
410 - WATER QUALITY CONTROL (WQC)	410.11000 (Cash)	\$15.21

# Payment Register

From Payment Date: 6/15/2012 - To Payment Date: 6/21/2012

89029	420 - WATER	06/21/2012	Open	420.11000 (Cash)	Accounts Payable	FLOYD JOHNSTON CONSTRUCTION CO INC	\$16.53	\$306,785.31
	Paying Fund			Cash Amount			Amount	
89030	306 - North Turlock Master Plan	06/21/2012	Open	306.11000 (Cash)	Accounts Payable	FRAZIER MASONRY CORP	\$243,040.74	\$243,040.74
	Paying Fund			Cash Amount			Amount	
89031	305 - Capital Facility Fees	06/21/2012	Open	305.11000 (Cash)	Accounts Payable	GOLDEN STATE STEEL INC	\$29,461.05	\$29,461.05
	Paying Fund			Cash Amount			Amount	
89032	305 - Capital Facility Fees	06/21/2012	Open	305.11000 (Cash)	Accounts Payable	GOMES & SONS INC, JOE M	\$24,388.62	\$24,388.62
	Paying Fund			Cash Amount			Amount	
	110 - General Fund			110.11000 (Cash)			\$14,424.81	\$14,424.81
	205 - Sports Facilities			205.11000 (Cash)			\$545.39	\$545.39
	217 - Streets - Gas Tax			217.11000 (Cash)			\$1,991.41	\$1,991.41
	246 - Landscape Assessment			246.11000 (Cash)			\$1,673.70	\$1,673.70
	405 - Building			405.11000 (Cash)			\$247.69	\$247.69
	410 - WATER QUALITY CONTROL (WQC)			410.11000 (Cash)			\$2,945.30	\$2,945.30
	420 - WATER			420.11000 (Cash)			\$907.88	\$907.88
	425 - Transit - Dial A Ride			425.11000 (Cash)			\$1,486.95	\$1,486.95
	502 - Engineering			502.11000 (Cash)			\$165.49	\$165.49
89033	06/21/2012	Open		Accounts Payable		GROENIGER & CO INC	\$413.40	\$413.40
	Paying Fund			Cash Amount			Amount	
89034	420 - WATER	06/21/2012	Open	420.11000 (Cash)	Accounts Payable	HILMAR READY MIX	\$72.47	\$72.47
	Paying Fund			Cash Amount			Amount	
89035	420 - WATER	06/21/2012	Open	420.11000 (Cash)	Accounts Payable	HUNTINGTON COURT REPORTER	\$786.54	\$786.54
	Paying Fund			Cash Amount			Amount	
89036	110 - General Fund	06/21/2012	Open	110.11000 (Cash)	Accounts Payable	ITRON INC	\$286,763.32	\$286,763.32
	Paying Fund			Cash Amount			Amount	
89037	420 - WATER	06/21/2012	Open	420.11000 (Cash)	Accounts Payable	JARVIS FAY & DOPORTO LLP	\$2,694.17	\$2,694.17
	Paying Fund			Cash Amount			Amount	
	110 - General Fund			110.11000 (Cash)			\$2,694.17	\$2,694.17

# Payment Register

From Payment Date: 6/15/2012 - To Payment Date: 6/21/2012

Account Number	Payment Date	Open / Paying Fund	Account Name	Account Type	Cash Amount	Amount
89038	06/21/2012	Open	JUSTUS LAWNMOWER SHOP INC	Accounts Payable		\$37.36
					110.11000 (Cash)	\$37.36
89039	06/21/2012	Open	KLEINFELDER	Accounts Payable		\$5,846.50
					215.11000 (Cash)	\$1,248.50
					306.11000 (Cash)	\$4,598.00
89040	06/21/2012	Open	L C ACTION	Accounts Payable		\$392.89
					110.11000 (Cash)	\$392.89
89041	06/21/2012	Open	MADRUGA BROS ENT INC	Accounts Payable		\$627.00
					110.11000 (Cash)	\$540.00
					255.11000 (Cash)	\$9.00
					410.11000 (Cash)	\$63.00
					420.11000 (Cash)	\$9.00
					502.11000 (Cash)	\$6.00
89042	06/21/2012	Open	MARK III CONSTRUCTION INC	Accounts Payable		\$124,542.00
					305.11000 (Cash)	\$124,542.00
89043	06/21/2012	Open	MO-CAL OFFICE SOLUTIONS	Accounts Payable		\$435.98
					110.11000 (Cash)	\$256.45
					204.11000 (Cash)	\$21.57
					255.11000 (Cash)	\$38.02
					410.11000 (Cash)	\$74.96
					502.11000 (Cash)	\$44.98
89044	06/21/2012	Open	MODERN BUILDING INC	Accounts Payable		\$358,637.20
					305.11000 (Cash)	\$358,637.20
89045	06/21/2012	Open	MODESTO TENT & AWNING INC	Accounts Payable		\$1,500.00
					110.11000 (Cash)	\$1,500.00
89046	06/21/2012	Open	N & S TRACTOR INC	Accounts Payable		\$1,667.37
					410.11000 (Cash)	\$1,667.37
89047	06/21/2012	Open	NAPA AUTO PARTS	Accounts Payable		\$23.15

# Payment Register

From Payment Date: 6/15/2012 - To Payment Date: 6/21/2012

Paying Fund	Cash Amount	Amount
110 - General Fund	110.11000 (Cash)	\$23.15
89048 06/21/2012 Open	Accounts Payable	\$4,789.75
	NORTH AMERICAN YOUTH ACTIVITIES LLC, KIDZ LOVE SOCCER	
Paying Fund	Cash Amount	Amount
110 - General Fund	110.11000 (Cash)	\$4,789.75
89049 06/21/2012 Open	Accounts Payable	\$290,053.05
	NUCP TURLOCK LLC	
Paying Fund	Cash Amount	Amount
411 - Storm Drainage Construction	411.11000 (Cash)	\$290,053.05
89050 06/21/2012 Open	Accounts Payable	\$4,516.43
	P G & E	
Paying Fund	Cash Amount	Amount
110 - General Fund	110.11000 (Cash)	\$63.98
217 - Streets - Gas Tax	217.11000 (Cash)	\$8.11
410 - WATER QUALITY CONTROL (WQC)	410.11000 (Cash)	\$174.10
426 - Transit - BLAST	426.11000 (Cash)	\$13.24
505 - Fleet	505.11000 (Cash)	\$4,257.00
89051 06/21/2012 Open	Accounts Payable	\$150.00
	PARK MD, VERNON G	
Paying Fund	Cash Amount	Amount
110 - General Fund	110.11000 (Cash)	\$150.00
89052 06/21/2012 Open	Accounts Payable	\$117,837.84
	PATRIAS ELEC CONT, DARRAL	
Paying Fund	Cash Amount	Amount
305 - Capital Facility Fees	305.11000 (Cash)	\$117,837.84
89053 06/21/2012 Open	Accounts Payable	\$2,614.24
	RAY MORGAN COMPANY	
Paying Fund	Cash Amount	Amount
110 - General Fund	110.11000 (Cash)	\$1,979.13
205 - Sports Facilities	205.11000 (Cash)	\$15.23
217 - Streets - Gas Tax	217.11000 (Cash)	\$3.73
246 - Landscape Assessment	246.11000 (Cash)	\$3.73
405 - Building	405.11000 (Cash)	\$44.07
410 - WATER QUALITY CONTROL (WQC)	410.11000 (Cash)	\$275.56
420 - WATER	420.11000 (Cash)	\$5.15
502 - Engineering	502.11000 (Cash)	\$268.69
505 - Fleet	505.11000 (Cash)	\$18.95
89054 06/21/2012 Open	Accounts Payable	\$48,436.14
	REED INC, GEORGE	
Paying Fund	Cash Amount	Amount
215 - Streets - Grant Funded Projects	215.11000 (Cash)	\$48,436.14
89055 06/21/2012 Open	Accounts Payable	\$731.25
	ROLAND PHD, JOCELYN E	

# Payment Register

From Payment Date: 6/15/2012 - To Payment Date: 6/21/2012

Paying Fund	Cash Amount	Amount
110 - General Fund	110.11000 (Cash)	\$731.25
06/21/2012 Open	Accounts Payable	SAFETY-KLEEN CORPORATION
Paying Fund	Cash Amount	Amount
410 - WATER QUALITY CONTROL (WQC)	410.11000 (Cash)	\$134.00
06/21/2012 Open	Accounts Payable	SCHMIDT & ASSOC, KENNETH
Paying Fund	Cash Amount	Amount
420 - WATER	420.11000 (Cash)	\$4,918.22
06/21/2012 Open	Accounts Payable	SECURE DELIVERY
Paying Fund	Cash Amount	Amount
420 - WATER	420.11000 (Cash)	\$123.00
06/21/2012 Open	Accounts Payable	SEEGER'S PRINTING INC
Paying Fund	Cash Amount	Amount
110 - General Fund	110.11000 (Cash)	\$494.57
06/21/2012 Open	Accounts Payable	SIERRA CHEMICAL CO
Paying Fund	Cash Amount	Amount
410 - WATER QUALITY CONTROL (WQC)	410.11000 (Cash)	\$2,237.45
06/21/2012 Open	Accounts Payable	SJVAPCD
Paying Fund	Cash Amount	Amount
305 - Capital Facility Fees	305.11000 (Cash)	\$1,126.00
426 - Transit - BLAST	426.11000 (Cash)	\$80.00
06/21/2012 Open	Accounts Payable	SMITH CHEVROLET CADILLAC
Paying Fund	Cash Amount	Amount
110 - General Fund	110.11000 (Cash)	\$100.00
06/21/2012 Open	Accounts Payable	SPRINT
Paying Fund	Cash Amount	Amount
110 - General Fund	110.11000 (Cash)	\$1,763.30
205 - Sports Facilities	205.11000 (Cash)	\$85.47
217 - Streets - Gas Tax	217.11000 (Cash)	\$120.74
246 - Landscape Assessment	246.11000 (Cash)	\$20.14
270 - Recreation Grants	270.11000 (Cash)	\$17.65
405 - Building	405.11000 (Cash)	\$33.68
410 - WATER QUALITY CONTROL (WQC)	410.11000 (Cash)	\$192.48
420 - WATER	420.11000 (Cash)	\$89.72
426 - Transit - BLAST	426.11000 (Cash)	\$72.28
502 - Engineering	502.11000 (Cash)	\$372.63
505 - Fleet	505.11000 (Cash)	\$47.97

# Payment Register

From Payment Date: 6/15/2012 - To Payment Date: 6/21/2012

Account ID	Payment Date	Open	Account Name	Account Type	STANISLAUS COUNTY - TAX	Amount
89064	06/21/2012	Open	Paying Fund	Accounts Payable		\$297.14
			258 - Housing Stimulus Funds	Cash Amount		\$297.14
89065	06/21/2012	Open	Paying Fund	Accounts Payable	STATE OF CALIFORNIA	\$1,545.00
89066	06/21/2012	Open	Paying Fund	Accounts Payable	SUPPORT PAYMENT CLEARING	\$439.13
89067	06/21/2012	Open	Paying Fund	Accounts Payable	T I D	\$84,642.35
89068	06/21/2012	Open	Paying Fund	Accounts Payable	TARLTON & SON INC	\$347,150.25
89069	06/21/2012	Open	Paying Fund	Accounts Payable	TURLOCK JOURNAL	\$547.71
89070	06/21/2012	Open	Paying Fund	Accounts Payable	TURLOCK SCAVENGER CO INC	\$200,000.00
89071	06/21/2012	Open	Paying Fund	Accounts Payable	TURLOCK TRANSFER INC	\$13,121.24
89072	06/21/2012	Open	Paying Fund	Accounts Payable	TURLOCK UMPIRE GROUP	\$9,993.00
89073	06/21/2012	Open	Paying Fund	Accounts Payable	TWO GUYS CATERING LLC	\$40.00
89074	06/21/2012	Open	Paying Fund	Accounts Payable	TYCO VALVES & CONTROLS LP	\$4,572.17

# Payment Register

From Payment Date: 6/15/2012 - To Payment Date: 6/21/2012

Paying Fund	Cash Amount	Amount
410 - WATER QUALITY CONTROL (WQC)	410.11000 (Cash)	\$4,572.17
89075 06/21/2012 Open	Accounts Payable UNIVAR USA INC	\$5,138.01
Paying Fund	Cash Amount	Amount
410 - WATER QUALITY CONTROL (WQC)	410.11000 (Cash)	\$5,138.01
89076 06/21/2012 Open	Accounts Payable US BANK-VISA	\$60,412.39
Paying Fund	Cash Amount	Amount
110 - General Fund	110.11000 (Cash)	\$16,308.41
203 - Animal Fee Forfeiture	203.11000 (Cash)	\$615.40
204 - AB 939 Integrated Waste Mgmt	204.11000 (Cash)	\$582.50
205 - Sports Facilities	205.11000 (Cash)	\$3,064.36
217 - Streets - Gas Tax	217.11000 (Cash)	\$2,354.40
242 - Computer Replacement	242.11000 (Cash)	\$16,069.23
246 - Landscape Assessment	246.11000 (Cash)	\$2,701.23
255 - CDBG	255.11000 (Cash)	\$1,875.99
266 - Police Services Grants	266.11000 (Cash)	\$1,073.92
270 - Recreation Grants	270.11000 (Cash)	\$717.17
401 - Airport	401.11000 (Cash)	\$241.26
410 - WATER QUALITY CONTROL (WQC)	410.11000 (Cash)	\$8,999.42
420 - WATER	420.11000 (Cash)	\$4,305.94
426 - Transit - BLAST	426.11000 (Cash)	\$62.13
501 - Information Technology	501.11000 (Cash)	\$402.95
502 - Engineering	502.11000 (Cash)	\$1,038.08
89077 06/21/2012 Open	Accounts Payable VALLEY BALANCING & AUTO	\$2,278.80
Paying Fund	Cash Amount	Amount
110 - General Fund	110.11000 (Cash)	\$1,139.40
410 - WATER QUALITY CONTROL (WQC)	410.11000 (Cash)	\$1,139.40
89078 06/21/2012 Open	Accounts Payable VETERINARY MED CTR INC	\$140.00
Paying Fund	Cash Amount	Amount
203 - Animal Fee Forfeiture	203.11000 (Cash)	\$140.00
89079 06/21/2012 Open	Accounts Payable WECO INDUSTRIES INC	\$469.75
Paying Fund	Cash Amount	Amount
410 - WATER QUALITY CONTROL (WQC)	410.11000 (Cash)	\$469.75
89080 06/21/2012 Open	Accounts Payable ALBERTI, MARK	\$117.66
Paying Fund	Cash Amount	Amount
110 - General Fund	110.11000 (Cash)	\$117.66
89081 06/21/2012 Open	Accounts Payable DOYLE, MARINA	\$461.36

# Payment Register

From Payment Date: 6/15/2012 - To Payment Date: 6/21/2012

Paying Fund	Cash Amount	Amount
110 - General Fund	110.11000 (Cash)	\$461.36
89082 06/21/2012 Open	Accounts Payable DUSEL, JOSEPH	\$112.33
Paying Fund	Cash Amount	Amount
266 - Police Services Grants	266.11000 (Cash)	\$112.33
89083 06/21/2012 Open	Accounts Payable LORENZI, MARIE	\$600.00
Paying Fund	Cash Amount	Amount
110 - General Fund	110.11000 (Cash)	\$600.00
89084 06/21/2012 Open	Accounts Payable MARTIN, PAUL	\$544.55
Paying Fund	Cash Amount	Amount
110 - General Fund	110.11000 (Cash)	\$5,700.00
410 - WATER QUALITY CONTROL (WQC)	410.11000 (Cash)	(\$2,517.53)
413 - WQC-Capital Expansion Reserve	413.11000 (Cash)	(\$2,437.91)
414 - Sewer Line/Trunk Construction	414.11000 (Cash)	(\$200.01)
89085 06/21/2012 Open	Accounts Payable REID, RON	\$600.00
Paying Fund	Cash Amount	Amount
110 - General Fund	110.11000 (Cash)	\$600.00
89086 06/21/2012 Open	Accounts Payable ROMERO, FELIX	\$50.00
Paying Fund	Cash Amount	Amount
410 - WATER QUALITY CONTROL (WQC)	410.11000 (Cash)	\$50.00
89087 06/21/2012 Open	Accounts Payable STANDARD PACIFIC HOMES	\$1,100.00
Paying Fund	Cash Amount	Amount
110 - General Fund	110.11000 (Cash)	\$1,100.00
89088 06/21/2012 Open	Accounts Payable VAN GUILDER, ALLISON	\$113.98
Paying Fund	Cash Amount	Amount
110 - General Fund	110.11000 (Cash)	\$113.98
89089 06/21/2012 Open	Accounts Payable WARD PROMOTIONAL MARKETING SOLUTIONS, INC	\$348.81
Paying Fund	Cash Amount	Amount
410 - WATER QUALITY CONTROL (WQC)	410.11000 (Cash)	\$348.81
89090 06/21/2012 Open	Accounts Payable Carnegie Arts Center Foundation, Turlock	\$20,000.00
Paying Fund	Cash Amount	Amount
110 - General Fund	110.11000 (Cash)	\$20,000.00
Type Check Totals:	94 Transactions	\$3,162,723.04
AP - Accounts Payable Totals		

# Payment Register

From Payment Date: 6/15/2012 - To Payment Date: 6/21/2012

Open	93	\$3,129,723.04	\$0.00
Reconciled	0	\$0.00	\$0.00
Voided	1	\$33,000.00	\$0.00
Stopped	0	\$0.00	\$0.00
<b>Total</b>	<b>94</b>	<b>\$3,162,723.04</b>	<b>\$0.00</b>

All	Status	Count	Transaction Amount	Reconciled Amount
	Open	93	\$3,129,723.04	\$0.00
	Reconciled	0	\$0.00	\$0.00
	Voided	1	\$33,000.00	\$0.00
	Stopped	0	\$0.00	\$0.00
	<b>Total</b>	<b>94</b>	<b>\$3,162,723.04</b>	<b>\$0.00</b>

Grand Totals:

Checks	Status	Count	Transaction Amount	Reconciled Amount
	Open	93	\$3,129,723.04	\$0.00
	Reconciled	0	\$0.00	\$0.00
	Voided	1	\$33,000.00	\$0.00
	Stopped	0	\$0.00	\$0.00
	<b>Total</b>	<b>94</b>	<b>\$3,162,723.04</b>	<b>\$0.00</b>

All	Status	Count	Transaction Amount	Reconciled Amount
	Open	93	\$3,129,723.04	\$0.00
	Reconciled	0	\$0.00	\$0.00
	Voided	1	\$33,000.00	\$0.00
	Stopped	0	\$0.00	\$0.00
	<b>Total</b>	<b>94</b>	<b>\$3,162,723.04</b>	<b>\$0.00</b>

# Payment Register

From Payment Date: 6/22/2012 - To Payment Date: 6/28/2012

5A2

Number	Date	Status	Void Reason	Reconciled/ Voided Date	Source	Payee Name	Transaction Amount	Reconciled Amount	Difference
89091	06/26/2012	Open			Utility Management Refund	ALLDRIN, LISA	\$131.35		
	Paying Fund			Cash Amount					
	420 - WATER			420.11000 (Cash)			\$131.35		
89092	06/26/2012	Open			Utility Management Refund	ARREOLA, OCTAVIO	\$151.09		
	Paying Fund			Cash Amount					
	420 - WATER			420.11000 (Cash)			\$151.09		
89093	06/26/2012	Open			Utility Management Refund	COLEMAN, STACY	\$27.65		
	Paying Fund			Cash Amount					
	420 - WATER			420.11000 (Cash)			\$27.65		
89094	06/26/2012	Open			Utility Management Refund	DEOL, HARMINDER	\$74.39		
	Paying Fund			Cash Amount					
	420 - WATER			420.11000 (Cash)			\$74.39		
89095	06/26/2012	Open			Utility Management Refund	ESPINOSA ENTERPRISES, JESSIE	\$91.30		
	Paying Fund			Cash Amount					
	420 - WATER			420.11000 (Cash)			\$91.30		
89096	06/26/2012	Open			Utility Management Refund	KNUTSON, TAMMIE	\$109.59		
	Paying Fund			Cash Amount					
	420 - WATER			420.11000 (Cash)			\$109.59		
89097	06/26/2012	Open			Utility Management Refund	PERALTA, TRINIDAD	\$101.68		
	Paying Fund			Cash Amount					
	420 - WATER			420.11000 (Cash)			\$101.68		
89098	06/26/2012	Open			Utility Management Refund	REO SEASTONE LP	\$136.04		
	Paying Fund			Cash Amount					
	420 - WATER			420.11000 (Cash)			\$136.04		
89099	06/26/2012	Open			Utility Management Refund	SALDIVAR, ROQUE	\$83.36		
	Paying Fund			Cash Amount					
	420 - WATER			420.11000 (Cash)			\$83.36		
89100	06/26/2012	Open			Utility Management Refund	SCHARFF, ADDIE	\$100.00		
	Paying Fund			Cash Amount					
	420 - WATER			420.11000 (Cash)			\$100.00		

# Payment Register

From Payment Date: 6/22/2012 - To Payment Date: 6/28/2012

	Paying Fund		Cash Amount	Refund	Amount
89101	420 - WATER	Open	420.11000 (Cash)	Utility Management Refund	\$100.00
				SOUZA, RICK, C	\$52.84
89102	420 - WATER	Open	420.11000 (Cash)	Utility Management Refund	\$52.84
				SOUZA, SHARON	\$23.94
89103	420 - WATER	Open	420.11000 (Cash)	Utility Management Refund	\$23.94
				STEELEY, RANDY	\$439.58
89104	420 - WATER	Open	420.11000 (Cash)	Utility Management Refund	\$439.58
				WRIGHT, LINDSAY	\$627.05
89105	420 - WATER	Open	420.11000 (Cash)	Utility Management Refund	\$627.05
				ZAHLER, GEOFF	\$98.55
89106	420 - WATER	Open	420.11000 (Cash)	Accounts Payable	\$950.00
				MCCORMACK INTELLECTUAL PROPERTY PS IOLTA	\$950.00
89107	110 - General Fund	Open	110.11000 (Cash)	Accounts Payable	\$567.60
				A & A PORTABLES INC	\$567.60
89108	301 - Capital Improvement	Open	301.11000 (Cash)	Accounts Payable	\$1,251.65
				A & G SALES PROMOTION LTD	\$1,251.65
89109	270 - Recreation Grants	Open	270.11000 (Cash)	Accounts Payable	\$5,441.76
				ABS PRESORT INC	\$5,441.76
89110	110 - General Fund	Open	110.11000 (Cash)	Accounts Payable	\$349.80
				ACCOUNTEMPS INC	\$349.80
	410 - WATER QUALITY CONTROL (WQC)		410.11000 (Cash)		\$174.90

# Payment Register

From Payment Date: 6/22/2012 - To Payment Date: 6/28/2012

89111	420 - WATER 06/28/2012 Open Paying Fund	420.11000 (Cash)	Accounts Payable	AFLAC	\$174.90
		Cash Amount			Amount
89112	104 - Payroll Clearing Fund 06/28/2012 Open Paying Fund	104.11000 (Cash)	Accounts Payable	AT&T / CALNET 2	\$4,326.96
		Cash Amount			Amount
	110 - General Fund	110.11000 (Cash)			\$3,973.81
	205 - Sports Facilities	205.11000 (Cash)			\$21.77
	255 - CDBG	255.11000 (Cash)			\$38.09
	405 - Building	405.11000 (Cash)			\$80.19
	410 - WATER QUALITY CONTROL (WQC)	410.11000 (Cash)			\$338.94
	420 - WATER	420.11000 (Cash)			\$187.38
	501 - Information Technology	501.11000 (Cash)			\$84.89
	502 - Engineering	502.11000 (Cash)			\$28.34
	505 - Fleet	505.11000 (Cash)			\$95.61
89113	06/28/2012 Open Paying Fund		Accounts Payable	AVAYA INC	\$9.66
		Cash Amount			Amount
89114	110 - General Fund 06/28/2012 Open Paying Fund	110.11000 (Cash)	Accounts Payable	BIGLER CONSTRUCTION	\$9.66
		Cash Amount			Amount
89115	228 - Park Development Tax 06/28/2012 Open Paying Fund	228.11000 (Cash)	Accounts Payable	BYTWARE INC	\$9,136.80
		Cash Amount			Amount
89116	110 - General Fund 06/28/2012 Open Paying Fund	110.11000 (Cash)	Accounts Payable	CAROLLO ENGINEERS	\$1,539.00
		Cash Amount			Amount
89117	410 - WATER QUALITY CONTROL (WQC) 06/28/2012 Open Paying Fund	410.11000 (Cash)	Accounts Payable	CHAMPION INDUSTRIAL	\$5,584.25
		Cash Amount			Amount
89118	110 - General Fund 06/28/2012 Open Paying Fund	110.11000 (Cash)	Accounts Payable	CHARTER COMMUNICATIONS	\$744.53
		Cash Amount			Amount
89119	410 - WATER QUALITY CONTROL (WQC) 501 - Information Technology 06/28/2012 Open Paying Fund	410.11000 (Cash)	Accounts Payable	COIT RESTORATION SVCS INC	\$134.98
		501.11000 (Cash)	Accounts Payable		\$104.98
		Cash Amount			Amount
		410.11000 (Cash)			\$1,063.31



# Payment Register

From Payment Date: 6/22/2012 - To Payment Date: 6/28/2012

89131	06/28/2012	Open	Accounts Payable	LIONAKIS INC	Amount
	Paying Fund		Cash Amount		
	241 - Asset Replacement		241.11000 (Cash)		\$1,380.00
	410 - WATER QUALITY CONTROL (WQC)		410.11000 (Cash)		\$690.00
	420 - WATER		420.11000 (Cash)		\$690.00
89132	06/28/2012	Open	Accounts Payable	MAGIC SANDS MOBILE HOME	\$260.64
	Paying Fund		Cash Amount		
	625 - Successor Agency - LMI		625.11000 (Cash)		\$260.64
89133	06/28/2012	Open	Accounts Payable	MME	\$39,114.61
	Paying Fund		Cash Amount		
	410 - WATER QUALITY CONTROL (WQC)		410.11000 (Cash)		\$39,114.61
89134	06/28/2012	Open	Accounts Payable	MO-CAL OFFICE SOLUTIONS	\$29.66
	Paying Fund		Cash Amount		
	110 - General Fund		110.11000 (Cash)		\$29.66
89135	06/28/2012	Open	Accounts Payable	MULBERRY MOBILE PARK	\$234.85
	Paying Fund		Cash Amount		
	625 - Successor Agency - LMI		625.11000 (Cash)		\$234.85
89136	06/28/2012	Open	Accounts Payable	NEIL O ANDERSON AND ASSOC	\$20,484.00
	Paying Fund		Cash Amount		
	305 - Capital Facility Fees		305.11000 (Cash)		\$20,484.00
89137	06/28/2012	Open	Accounts Payable	NEW WORLD SYSTEM CORP	\$3,000.00
	Paying Fund		Cash Amount		
	110 - General Fund		110.11000 (Cash)		\$3,000.00
89138	06/28/2012	Open	Accounts Payable	OVIVO USA LLC	\$234,689.54
	Paying Fund		Cash Amount		
	410 - WATER QUALITY CONTROL (WQC)		410.11000 (Cash)		\$234,689.54
89139	06/28/2012	Open	Accounts Payable	P G & E	\$166.26
	Paying Fund		Cash Amount		
	110 - General Fund		110.11000 (Cash)		\$166.26
89140	06/28/2012	Open	Accounts Payable	PACIFIC PRODUCT & SVS INC	\$2,417.27
	Paying Fund		Cash Amount		
	226 - Traffic Tax		226.11000 (Cash)		\$2,417.27
89141	06/28/2012	Open	Accounts Payable	PRESORT CTR STOCKTON INC	\$9,009.41
	Paying Fund		Cash Amount		
	110 - General Fund		110.11000 (Cash)		\$3,003.13
	410 - WATER QUALITY CONTROL (WQC)		410.11000 (Cash)		\$3,003.14

# Payment Register

From Payment Date: 6/22/2012 - To Payment Date: 6/28/2012

89142	420 - WATER	Open	420.11000 (Cash)					\$3,003.14
	06/28/2012		Accounts Payable	SHARPENING SHOP				\$15,547.63
	Paying Fund		Cash Amount				Amount	
	110 - General Fund		110.11000 (Cash)					\$1,891.03
	217 - Streets - Gas Tax		217.11000 (Cash)					\$8,000.00
	246 - Landscape Assessment		246.11000 (Cash)					\$2,027.50
	410 - WATER QUALITY CONTROL (WQC)		410.11000 (Cash)					\$3,629.10
89143	06/28/2012	Open	Accounts Payable	SHELL FLEET PLUS				\$296.88
	Paying Fund		Cash Amount				Amount	
	110 - General Fund		110.11000 (Cash)					\$154.14
	266 - Police Services Grants		266.11000 (Cash)					\$142.74
89144	06/28/2012	Open	Accounts Payable	SIERRA CHEMICAL CO				\$4,158.30
	Paying Fund		Cash Amount				Amount	
	410 - WATER QUALITY CONTROL (WQC)		410.11000 (Cash)					\$4,158.30
89145	06/28/2012	Open	Accounts Payable	SOUTHWEST SCHOOL &				\$50.36
	Paying Fund		Cash Amount				Amount	
	270 - Recreation Grants		270.11000 (Cash)					\$50.36
89146	06/28/2012	Open	Accounts Payable	T I D				\$29,403.58
	Paying Fund		Cash Amount				Amount	
	110 - General Fund		110.11000 (Cash)					\$3,172.88
	216 - Streets - Local Transportation		216.11000 (Cash)					\$10,088.05
	410 - WATER QUALITY CONTROL (WQC)		410.11000 (Cash)					\$1,532.14
	420 - WATER		420.11000 (Cash)					\$14,610.51
89147	06/28/2012	Open	Accounts Payable	TRAINING INNOVATIONS INC				\$600.00
	Paying Fund		Cash Amount				Amount	
	110 - General Fund		110.11000 (Cash)					\$600.00
89148	06/28/2012	Open	Accounts Payable	TURLOCK SCAVENGER/SWEEPIN				\$39,863.00
	Paying Fund		Cash Amount				Amount	
	217 - Streets - Gas Tax		217.11000 (Cash)					\$13,952.04
	410 - WATER QUALITY CONTROL (WQC)		410.11000 (Cash)					\$25,910.96
89149	06/28/2012	Open	Accounts Payable	US BANK OFFICE EQUIPMENT				\$459.51
	Paying Fund		Cash Amount				Amount	
	110 - General Fund		110.11000 (Cash)					\$153.89
	502 - Engineering		502.11000 (Cash)					\$305.62
89150	06/28/2012	Open	Accounts Payable	VERGE TECHNOLOGIES INC				\$9,101.00
	Paying Fund		Cash Amount				Amount	
	110 - General Fund		110.11000 (Cash)					\$9,101.00

# Payment Register

From Payment Date: 6/22/2012 - To Payment Date: 6/28/2012

89151	06/28/2012	Open	Accounts Payable	WESTERN VIEW MOBILE RANCH	Amount
	Paying Fund		Cash Amount		
	625 - Successor Agency - LMI		625.11000 (Cash)		\$2,799.11
89152	06/28/2012	Open	Accounts Payable	WESTFORK ESTATES	\$718.30
	Paying Fund		Cash Amount		
	625 - Successor Agency - LMI		625.11000 (Cash)		\$718.30
89153	06/28/2012	Open	Accounts Payable	YORK INSURANCE SV GRP INC	\$8,595.67
	Paying Fund		Cash Amount		
	510 - Workers Compensation Ins		510.11000 (Cash)		\$8,595.67
89154	06/28/2012	Open	Accounts Payable	ZUMAR INDUSTRIES INC	\$286.61
	Paying Fund		Cash Amount		
	226 - Traffic Tax		226.11000 (Cash)		\$286.61
89155	06/28/2012	Open	Accounts Payable	BAINS, SANDEEP	\$500.00
	Paying Fund		Cash Amount		
	110 - General Fund		110.11000 (Cash)		\$500.00
89156	06/28/2012	Open	Accounts Payable	HOLEMAN, RUSSELL	\$162.00
	Paying Fund		Cash Amount		
	110 - General Fund		110.11000 (Cash)		\$162.00
89157	06/28/2012	Open	Accounts Payable	MAGANA, CRISTINA	\$162.00
	Paying Fund		Cash Amount		
	110 - General Fund		110.11000 (Cash)		\$162.00
89158	06/28/2012	Open	Accounts Payable	MALEKZADEH, HELEN	\$32.00
	Paying Fund		Cash Amount		
	110 - General Fund		110.11000 (Cash)		\$32.00
89159	06/28/2012	Open	Accounts Payable	REDD, TIMOTHY	\$162.00
	Paying Fund		Cash Amount		
	110 - General Fund		110.11000 (Cash)		\$162.00
89160	06/28/2012	Open	Accounts Payable	SINGH, JESSIE	\$500.00
	Paying Fund		Cash Amount		
	110 - General Fund		110.11000 (Cash)		\$500.00
89161	06/28/2012	Open	Accounts Payable	TOSTE, ANGEL	\$74.00
	Paying Fund		Cash Amount		
	110 - General Fund		110.11000 (Cash)		\$74.00
89162	06/28/2012	Open	Accounts Payable	WASDEN, ROY	\$700.00
	Paying Fund		Cash Amount		
	110 - General Fund		110.11000 (Cash)		\$700.00
Type Check Totals:					\$746,236.99
					72 Transactions

# Payment Register

From Payment Date: 6/22/2012 - To Payment Date: 6/28/2012

AP - Accounts Payable Totals

Checks	Status	Count	Transaction Amount	Reconciled Amount
	Open	72	\$746,236.99	\$0.00
	Reconciled	0	\$0.00	\$0.00
	Voided	0	\$0.00	\$0.00
	Stopped	0	\$0.00	\$0.00
	<b>Total</b>	<b>72</b>	<b>\$746,236.99</b>	<b>\$0.00</b>

All	Status	Count	Transaction Amount	Reconciled Amount
	Open	72	\$746,236.99	\$0.00
	Reconciled	0	\$0.00	\$0.00
	Voided	0	\$0.00	\$0.00
	Stopped	0	\$0.00	\$0.00
	<b>Total</b>	<b>72</b>	<b>\$746,236.99</b>	<b>\$0.00</b>

Grand Totals:

Checks	Status	Count	Transaction Amount	Reconciled Amount
	Open	72	\$746,236.99	\$0.00
	Reconciled	0	\$0.00	\$0.00
	Voided	0	\$0.00	\$0.00
	Stopped	0	\$0.00	\$0.00
	<b>Total</b>	<b>72</b>	<b>\$746,236.99</b>	<b>\$0.00</b>

All	Status	Count	Transaction Amount	Reconciled Amount
	Open	72	\$746,236.99	\$0.00
	Reconciled	0	\$0.00	\$0.00
	Voided	0	\$0.00	\$0.00
	Stopped	0	\$0.00	\$0.00
	<b>Total</b>	<b>72</b>	<b>\$746,236.99</b>	<b>\$0.00</b>

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1. **A. CALL TO ORDER** –Mayor Lazar called the meeting to order at 7:03 p.m.  
PRESENT: Councilmembers Amy Bublak, Bill DeHart, Mary Jackson, Forrest White, and Mayor John S. Lazar.  
ABSENT: None
  - B. SALUTE TO THE FLAG**
  2. **PROCLAMATIONS, PRESENTATIONS, RECOGNITIONS, ANNOUNCEMENTS & APPOINTMENTS:**
    - A. Parks, Recreation and Community Facilities Manager Allison Van Guilder provided a PowerPoint presentation on the "Parks Make Life Better" campaign. Mayor Lazar presented a Proclamation to Barney Gordon, Chairman of the Parks, Recreation and Community Programs Commission in recognition of July 2012 being named Parks & Recreation Month - Parks Make Life Better!
    - B. Mayor Lazar invited Municipal Services Director Dan Madden to speak regarding retired City Employee Richard Berru's service to the City of Turlock. Mayor Lazar then presented a Proclamation to Mr. Berru, Electrical Mechanical Technician II, in honor of his 33 years of service to the City of Turlock.
    - C. Mayor Lazar recommended the following appointments to the Turlock City Arts Commission: Lakneshia Diaz and Jennifer Strangfeld to terms expiring June 30, 2013; Larry Yeakel and Ann Strahm to terms expiring June 30, 2014; and Lynn Gaiser-Saraille, Angele Henry and Llewellyn Boyle to terms expiring June 30, 2015.  
**Action:** Motion by Councilmember Jackson, seconded by Councilmember DeHart, appointing the following members to the Turlock City Arts Commission: Lakneshia Diaz and Jennifer Strangfeld to terms expiring June 30, 2013; Larry Yeakel and Ann Strahm to terms expiring June 30, 2014; and Lynn Gaiser-Saraille, Angele Henry and Llewellyn Boyle to terms expiring June 30, 2015. Motion carried unanimously.
  3. **A. SPECIAL BRIEFINGS:** None
  - B. STAFF UPDATES**
    1. City Clerk Kellie Weaver provided information regarding Board, Commission, and Committee vacancies.
    2. Development Services Director Mike Pitcock provided an update on capital projects, including the Harding Drain Bypass Project, Public Safety Facility, Transit Center, Golden State Boulevard and West Main Street Overlay Project, Soderquist Sidewalk Improvements, Blue Diamond Project in the Turlock Regional Industrial Park (TRIP), and work being completed by Union Pacific Railroad in various locations throughout the City.

3. Police Chief Robert Jackson and Community Services Officer Michelle Backeroff provided information and invited Council, staff and the community to participate in National Night Out on August 7, 2012.

**C. PUBLIC PARTICIPATION:**

Fred Bigler spoke against a bocce ball addition to Crane Park for reasons including overcrowding at Crane Park, displacing other uses of the park due to the size of the courts, and potential parking problems.

Turlock Library Branch Manager Carol Blomquist provided information about upcoming programs and activities at the Turlock Library, including crafts, music, and summer reading programs. She also announced that Jody Miller has been named the new Children's Librarian at the Turlock Branch.

**4. A. MOTION WAIVING READING OF ALL ORDINANCES ON THE AGENDA**

**Action:** Motion by Councilmember DeHart, seconded by Councilmember Bublak, to waive reading of all ordinances on the agenda, except by title. Motion carried unanimously.

**B. DECLARATION OF CONFLICTS OF INTEREST AND DISQUALIFICATIONS:**

Councilmember Bublak identified a conflict of interest related to Final Reading Item 6A and Scheduled Matters Item 8C due to her employment as a Police Officer with the Modesto Police Department and advised she would be recusing herself from these items.

**5. CONSENT CALENDAR:**

**Action:** Motion by Councilmember Jackson, seconded by Councilmember DeHart, and unanimously carried to adopt the consent calendar as follows:

- A. **Resolution No. 2012-118** Accepting Demands of 6/7/12 in the amount of \$712,595.58; Demands of 6/14/12 in the amount of \$1,442,621.21
- B. Motion: Accepting Minutes of Special Joint Meeting of the Turlock City Council, Planning Commission and Development Collaborative Committee of June 26, 2012; Minutes of Regular Meeting of June 26, 2012
- C. Motion: Accepting improvements for City Project No. 12-34, "MV & GSB RR Crossing," and authorizing the City Engineer to file a Notice of Completion
- D. Motion: Approving Contract Change Order No. 1 in the amount of \$1,650 (Fund 228) for City Project No. 11-56, "Dale Pinkney Park Arbor," bringing the contract total to \$12,930
- E. Motion: Awarding bid and approving an agreement in the amount of \$179,762 from Fund 420-52-551.51127 "Water System Repair/ Replacement Expenses" with Rolfe Construction of Atwater, California, for City Project No. 12-19, "Angelus Street Waterline Replacement"
- F. Motion: Approving an agreement for materials testing and special inspection services in the amount of \$290,000 (Fund 415) with Kleinfelder West, Inc. of Merced, California, for City Project No. 0751, "Turlock Regional Water Quality Control Facility Headworks and Secondary Treatment Capacity Expansion - Phase 1"

- G. Motion: Accepting notification of Contract Change Order No. 2 in the amount of \$2,290.80 (Fund 306) for City Project No. 0939, "Storm Drain Pump Station at North Tegner Road and Sandstone Street," bringing the contract total to \$491,473.33
- H. Motion: Approving a Memorandum of Understanding between the law enforcement agencies of Stanislaus County to develop protocol to support multi-jurisdictional SWAT responses pursuant to the recommendations of the POST SWAT operational guidelines and standardized training recommendations and authorizing the Chief of Police to sign the Memorandum of Understanding on behalf of the City of Turlock Police Department
- I. **Resolution No. 2012-119** Appropriating unspent funds from Fiscal Year 2011/12 of \$8,424.84 to account number 110-20-210.44030\_001 "Minor Equipment Safety Equipment" from Fund 110 "General Fund" Reserve Balance, for replacement of police officer ballistic vests for twelve (12) Police Officers
- J. **Resolution No. 2012-120** Appropriating \$500 to Fund 110-10-112.47016 "Administrative Citation Expenses" from Fund 110 "General Fund" Reserve Balance, for the purchase of Administration Citation forms
- K. Motion: Rejecting Claim for Damages filed by Dennis A. Souza
- L. Motion: Rejecting Claim for Damages filed by Kenneth Ledbetter

6. FINAL READINGS:

*Councilmember Bublak stepped down from the dais.*

- A. **Ordinance No. 1167–CS**, Amending Turlock Municipal Code Title 4, Chapter 15 regarding Tow Car Regulations as introduced at the June 26, 2012 meeting passed with Councilmember Bublak not participating.

*Councilmember Bublak returned to the dais.*

- B. **Ordinance No. 1168–CS**, Amending Turlock Municipal Code Title 3, Chapter 1, Article 6, regarding Dance Hall Permits as introduced at the June 26, 2012 meeting was unanimously passed and adopted.
- C. **Ordinance No. 1169–CS**, Amending Turlock Municipal Code Title 5, Chapter 3, regarding Fortune Telling Permits as introduced at the June 26, 2012 meeting was unanimously passed and adopted.
- D. **Ordinance No. 1170–CS**, Amending Turlock Municipal Code Title 5, Chapter 18, regarding Introduction, Dating and Escort Services Permits as introduced at the June 26, 2012 meeting was unanimously passed and adopted.
- E. **Ordinance No. 1171–CS**, Amending Turlock Municipal Code Title 7 (Public Works), Chapter 2, Article 6, Section 1 related to the maintenance of curbs, gutters, sidewalks, curb cuts, and driveway approaches and the liability of injuries to the Public as introduced at the June 26, 2012 meeting was unanimously passed and adopted.

- F. **Ordinance No. 1172–CS**, Amending the Turlock Municipal Code Title 2, Chapter 7, Section 04, entitled, "Purchasing Officer: Powers and duties" as introduced at the June 26, 2012 meeting was unanimously passed and adopted.

7. **PUBLIC HEARINGS:** None

8. **SCHEDULED MATTERS:**

- A. Development Services Director Mike Pitcock presented the staff report on the request to approve an agreement in the amount of \$162,020 with Sally Swanson Architects, Inc., of San Francisco, California, for City Project No. 11-27, "ADA Self-Evaluation and Transition Plan Update."

Council discussion included clarification of the scope of work to be performed and funding issues related to the Transition Plan Update and future improvements.

Mayor Lazar asked for public comment. No one spoke. Mayor Lazar closed public comment.

**Action:** Motion by Councilmember White, seconded by Councilmember Bublak, Approving an agreement in the amount of \$162,020 (Fund 301) with Sally Swanson Architects, Inc., of San Francisco, California, for City Project No. 11-27, "ADA Self-Evaluation and Transition Plan Update." Motion carried unanimously.

- B. Development Services Director Mike Pitcock presented the staff report on the request to approve Contract Change Order No. 5 in the amount of \$6,572.87 for City Project No. 0952, "Turlock Regional Transit Center."

Mayor Lazar asked for public comment. No one spoke. Mayor Lazar closed public comment.

**Action:** Motion by Councilmember Jackson, seconded by Councilmember DeHart, Approving Contract Change Order No. 5 in the amount of \$6,572.87 (Fund 426) for City Project No. 0952, "Turlock Regional Transit Center," bringing the contract total to \$1,676,346.82. Motion carried unanimously.

*Councilmember Bublak stepped down from the dais.*

- C. Police Lieutenant Ron Reid presented the staff report on the request to approve an agreement between the Turlock Police Department, the Modesto Police Department, and the Stanislaus County Sheriff's Department to share mutual Records Management System (RMS) data and information through the introduction of the COPLINK crime analysis and records management software.

Council discussion included benefits of having everyone in the County sharing data on the records management system and its affordability.

Mayor Lazar asked for public comment. No one spoke. Mayor Lazar closed public comment.

**Action:** **Resolution No. 2012-121** Approving an agreement between the Turlock Police Department, the Modesto Police Department, and the Stanislaus County Sheriff's Department to share mutual Records Management System (RMS) data and information through the introduction of the COPLINK crime analysis and records management software was introduced by Councilmember White, seconded by Councilmember Jackson, and carried with Councilmember Bublak not participating.

*Councilmember Bublak returned to the dais.*

- D. Fire Marshall Mark Gomez presented the staff report on the request to ratify the action taken by the City Manager on behalf of the Turlock Fire Department, to apply for the "Assistance to Firefighters Grant" for the purchase of a new fire engine to replace Engine 31.

Council and staff discussion included options available to staff regarding the selection of a new engine if funding is secured, utilizing a regional approach in seeking grant funding, and the short application period associated with this grant.

Mayor Lazar asked for public comment. No one spoke. Mayor Lazar closed public comment.

**Action:** **Resolution No. 2012-122** Ratifying the action taken by the City Manager on behalf of the Turlock Fire Department, to apply for the "Assistance to Firefighters Grant" for the purchase of a new fire engine to replace Engine 31 was introduced by Councilmember Bublak, seconded by Councilmember DeHart, and carried unanimously.

**9. COUNCIL ITEMS FOR FUTURE CONSIDERATION:**

Councilmember Bublak spoke regarding the 2013 CCAA Track & Field Championships to be held at California State University, Stanislaus for a second time. She asked for consideration of having youth activities planned for the week prior to the event and that Monte Vista Avenue be repaved.

**10. COUNCIL COMMENTS:**

Councilmember Jackson commented she has heard concerns about bocce ball courts being placed at Crane Park and advised a discussion regarding the issue would be held at the Parks, Recreation and Community Commission meeting at Crane Park, Area B, on Wednesday, July 11, 2012 at 6:00 p.m.

Councilmember Jackson commented that the Turlock City Arts Commission will begin meeting in August.

DRAFT

Councilmember Jackson reminded everyone about the Turlock Farmer's Market which is held on Fridays, between 8:00 a.m. and 1:00 p.m., on Broadway, between Market Street and Olive Avenue. She also thanked staff for their efforts related to parking issues.

Mayor Lazar encouraged everyone to attend and enjoy the Stanislaus County Fair which begins on Friday, July 13, 2012.

**11. CLOSED SESSION:**

City Attorney Phaedra Norton introduced the Closed Session Item.

A. Public Employee Performance Evaluation, Cal. Gov't Code §54957  
Title: City Attorney

**Action:** Council approved the satisfactory performance evaluation of the City Attorney.

**12. ADJOURNMENT:**

Motion by Councilmember DeHart, seconded by Councilmember Bublak, to adjourn at 7:55 p.m. Motion carried unanimously.

RESPECTFULLY SUBMITTED

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Kellie E. Weaver  
City Clerk

DRAFT



## Council Synopsis

5C

July 24, 2012

---

From: Michael G. Pitcock, PE  
Director of Development Services / City Engineer

Prepared by: Jeff Haney, Senior Engineering Technician

Agendized by: Roy W. Wasden, City Manager

### 1. ACTION RECOMMENDED:

Motion: Accepting improvements for City Project No. 11-56, "Dale Pinkney Park Arbor," and authorizing the City Engineer to file a Notice of Completion

### 2. DISCUSSION OF ISSUE:

On March 27, 2012, staff awarded a contract in the amount of \$11,280 to Bigler Construction of Turlock, California for "Dale Pinkney Park Arbor." The contracted work has been completed to the satisfaction of the City.

### 3. BASIS FOR RECOMMENDATION:

A) City Municipal Code requires that the City Council authorize the City Engineer to sign the Notice of Completion.

**Strategic Plan Initiative** H. COMMUNITY PROGRAMS, FACILITIES AND INFRASTRUCTURE

**Goal(s):** a. Community Infrastructure  
iv. Strive to provide safe, well designed and attractively maintained park facilities for the citizens of Turlock to enjoy recreation activities and socialize

### 4. FISCAL IMPACT / BUDGET AMENDMENT:

No additional funds are needed for the project.

**Note:** No General Fund money will be used for this project.

### 5. CITY MANAGER'S COMMENTS:

Recommend approval.

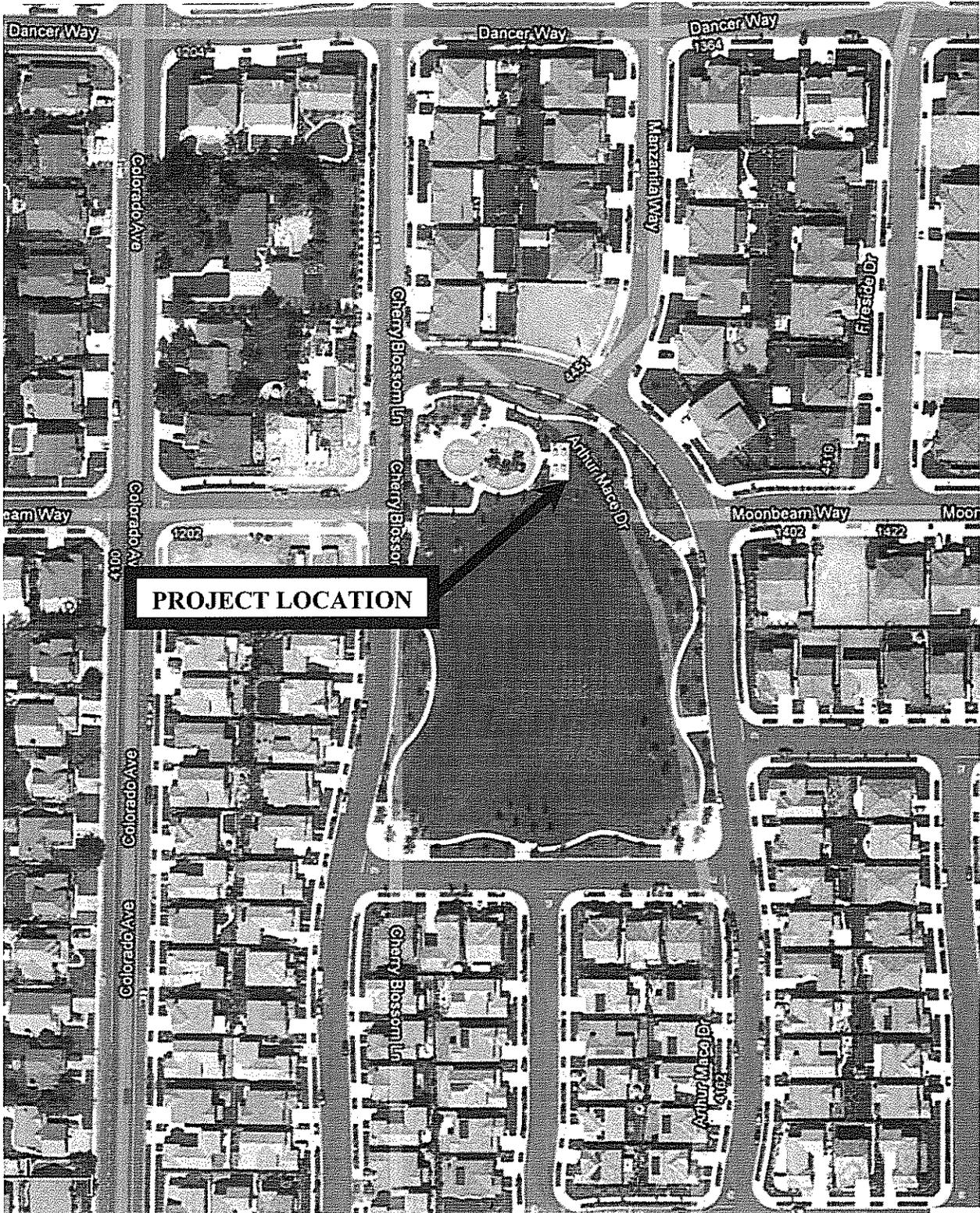
**6. ENVIRONMENTAL DETERMINATION:**

This project is found to be categorically exempt per CEQA Section 15303 (e) New Construction or Conversion of Small Structures

**7. ALTERNATIVES:**

Deny acceptance of work completed. Staff does not recommend this as the contractor completed the work according to the project specifications.

City Project No. 11-56  
"Dale Pinkney Park Arbor "



**RECORDED AT THE REQUEST OF:**  
CITY OF TURLOCK

**WHEN RECORDED MAIL TO:**  
CITY OF TURLOCK  
*Office of the City Clerk*  
156 S. Broadway, Suite 230  
TURLOCK CA 95380-5454

**NOTICE OF COMPLETION  
CITY PROJECT NO. 11-56  
DALE PINKNEY PARK ARBOR**

Notice is hereby given that work on the above-referenced project, on City owned property located at 4400 Cherry Blossom Lane, Turlock, California was completed by the undersigned agency on July 24, 2012. The contractor of work was Bigler Construction, 304 E. Barnhart Road, Turlock, California 95382, and the owner is the City of Turlock, 156 South Broadway, Suite 150, Turlock, California, 95380. Kindly refer to said Project Number on all communications relating to this work.

**VERIFICATION**

I, the undersigned, City Engineer of the owner of the aforesaid interest, have read this notice; I know and understand the contents thereof; and the facts stated therein are true of my own knowledge.

I declare under penalty of perjury that the foregoing is true and correct.

CITY OF TURLOCK

---

MICHAEL G. PITCOCK, PE  
CITY ENGINEER  
OWNER'S AGENT

Executed on July 25, 2012 at Turlock, California, Stanislaus County



## Council Synopsis

5D

July 24, 2012

---

From: Michael G. Pitcock, P.E.  
Director of Development Services / City Engineer

Prepared by: Anthony R. Orosco, Senior Civil Engineer

Agendized by: Roy W. Wasden, City Manager

### 1. ACTION RECOMMENDED:

Resolution: Considering Intention to Levy and Collect Assessments for the Blue Diamond Landscaping, Lighting, and Street Maintenance Benefit Assessment District, Project No. 12-21

### 2. DISCUSSION OF ISSUE:

This item is the second resolution in the formation of a benefit assessment district for the Blue Diamond Development located at the Southeast corner of the intersection of N. Washington Road and Fulkerth Road. A consent to levy assessments form has been signed by the property owner, Blue Diamond Growers, authorizing the City Engineer to act as the Engineer of Work in the proceedings. The City Engineer then determines the cost of improvements and/or maintenance of the development landscaping, street lighting, and streets. The Landscaping and Lighting Act of 1972 and the Benefit Assessment Act of 1982 directs the Engineer of Work to produce an Engineer's Report which details the annual costs to each individual lot in the development, which is collected on property taxes.

The purpose of the assessment district is to ensure that this new development pays for its own maintenance and operation of the streetlights, landscape maintenance, street sweeping, and future slurry seals. By forming this district the developer proceeds to construct the development and places no additional impacts on existing city funds that maintain streets, lighting, and landscaping.

### 3. BASIS FOR RECOMMENDATION:

- A) Staff's recommendation is based on laws governing the provision of funding basic improvements in a subdivision or development, such as maintenance of landscaping foliage, street light repair, and street maintenance or repair.
- B) This benefit funding is maintained and tracked by staff. The funds that are collected from this development will pay for its impacts on City street lighting,

street sweeping, street slurry seals, and landscaping, so as to not affect existing city funds.

**Strategic Plan Initiative F. POLICY INITIATIVE – INTELLIGENT, PLANNED, MANAGED GROWTH:**

**Goal(s): 1) c.** Ensure that all new growth pays for itself (Assessment Districts, CFF/PAF, CFD)

**4. FISCAL IMPACT / BUDGET AMENDMENT:**

**Fiscal Impact:** The first year annual assessment collection from this subdivision will be \$9,591.08. Annual assessments are tied to the Engineering News Record (ENR) Index and will be adjusted accordingly.

**5. CITY MANAGER'S COMMENTS:**

Recommend approval.

**6. ENVIRONMENTAL DETERMINATION:**

Not applicable.

**7. ALTERNATIVES:**

Deny the resolution to consider the intention to levy and collect assessments for this assessment district. City staff does not recommend this alternative, however, because maintenance costs from this development would then impact other city funds.

BEFORE THE CITY COUNCIL OF THE CITY OF TURLOCK

IN THE MATTER OF CONSIDERING }  
INTENTION TO LEVY AND COLLECT }  
ASSESSMENTS FOR THE BLUE DIAMOND }  
LANDSCAPING, LIGHTING, AND STREET }  
MAINTENANCE BENEFIT ASSESSMENT }  
DISTRICT, PROJECT NO. 12-21 }

RESOLUTION NO. 2012-

**WHEREAS**, the City Council of the City of Turlock intends to levy and collect assessments within the Blue Diamond Landscaping, Lighting, and Street Maintenance Benefit Assessment District during the fiscal year 2012-2013 pursuant to the Landscaping and Lighting Act of 1972, and the Benefit Assessment Act of 1982. The area of land to be assessed is located within the City of Turlock, County of Stanislaus, State of California; and

**WHEREAS**, the improvements to be made in this assessment district are generally described as follows, with no substantial changes to approved improvements:

*The maintenance and replacement of street trees, plants, vegetation, sprinkler systems, rear yard wall adjacent to or within the public right of way, street lighting, streets, improvements, and appurtenances adjacent to or within the public right of way in the streets included in Blue Diamond, a development of Assessor's Parcel Number 098-001-001, County of Stanislaus, City of Turlock; and*

**WHEREAS**, in accordance with the City Council's resolution initiating proceedings, the City Engineer has filed with the City Clerk the report required by the Landscaping and Lighting Act of 1972. Said Engineer's Report is hereby approved as filed. All interested persons are referred to that report for a full and detailed description of the improvements, the boundaries of the assessment district, and the proposed assessments upon assessable lots and parcels within the assessment district; and

**WHEREAS**, on Tuesday, the 14<sup>th</sup> day of August, 2012, at the hour of 7:00 p.m., prevailing local time, the City Council of the City of Turlock will conduct a public hearing on the question of the levy of the proposed annual assessment. The meeting will be held in the Yosemite Room on the 2<sup>nd</sup> floor of City Hall at 156 S. Broadway, in Turlock, California.

**NOW, THEREFORE, BE IT RESOLVED** that the City Council of the City of Turlock does hereby intend to levy and collect assessments for the Blue Diamond Landscaping, Lighting, and Street Maintenance Benefit Assessment District.

**BE IT FURTHER RESOLVED** that the City Clerk is authorized and directed to give the notice of hearing required by the Landscaping and Lighting Act of 1972.

**PASSED AND ADOPTED** at a regular meeting of the City Council of the City of Turlock this 24<sup>th</sup> day of July 2012, by the following vote:

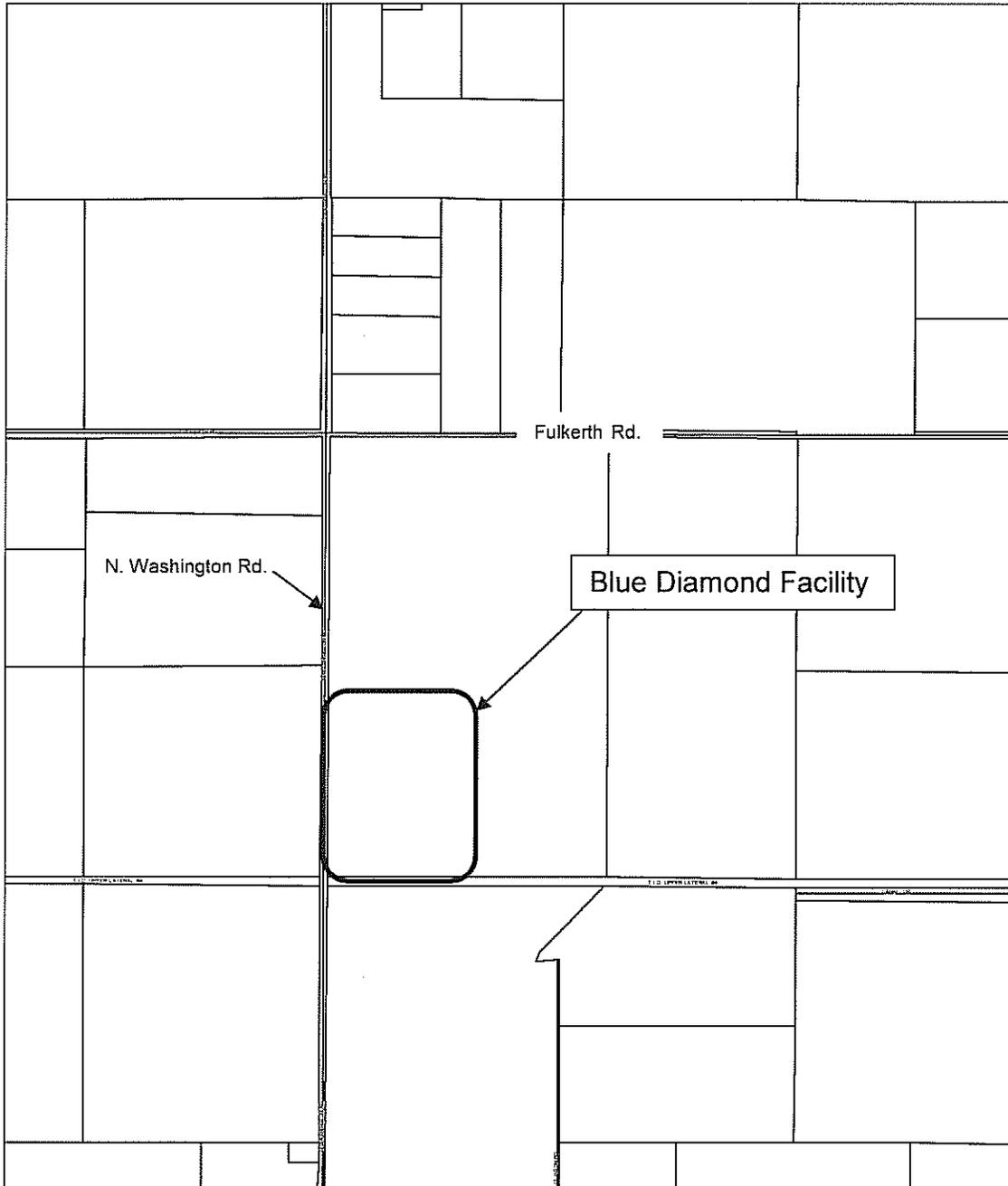
AYES:  
NOES:  
NOT PARTICIPATING:  
ABSENT:

ATTEST:

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Kellie E. Weaver, City Clerk, City  
of Turlock, County of Stanislaus,  
State of California

SITE MAP  
Of  
**Blue Diamond Assessment District**





## Council Synopsis

5E

July 24, 2012

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From: Michael G. Pitcock, PE  
Director of Development Services / City Engineer

Prepared by: Jeff Haney, Senior Engineering Technician

Agendized by: Roy W. Wasden, City Manager

### 1. ACTION RECOMMENDED:

Motion: Accepting improvements for City Project No. 12-23, "City Hall Carpet to Tile Conversion-2nd Floor," and authorizing the City Engineer to file a Notice of Completion

### 2. DISCUSSION OF ISSUE:

On March 27, 2012, staff awarded a contract in the amount of \$10,755.00 to JDS Tile and Construction of Denair, California for "City Hall Carpet to Tile Conversion-2nd Floor." The contracted work has been completed to the satisfaction of the City.

### 3. BASIS FOR RECOMMENDATION:

A) City Municipal Code requires that the City Council authorize the City Engineer to sign the Notice of Completion.

**Strategic Plan Initiative** H. COMMUNITY PROGRAMS, FACILITIES AND INFRASTRUCTURE

**Goal(s):** a. Community Infrastructure  
iii. Strive to provide safe and well maintained facilities for the community, recreational programs and City of Turlock employees

### 4. FISCAL IMPACT / BUDGET AMENDMENT:

No additional funds are needed for the project.

**Note:** No General Fund money will be used for this project.

### 5. CITY MANAGER'S COMMENTS:

Recommend approval.

**6. ENVIRONMENTAL DETERMINATION:**

N/A

**7. ALTERNATIVES:**

Deny acceptance of work completed. Staff does not recommend this as the contractor completed the work according to the project specifications.

**RECORDED AT THE REQUEST OF:**  
CITY OF TURLOCK

**WHEN RECORDED MAIL TO:**  
CITY OF TURLOCK  
*Office of the City Clerk*  
156 S. Broadway, Suite 230  
TURLOCK CA 95380-5454

**NOTICE OF COMPLETION  
CITY PROJECT NO. 12-23  
CITY HALL CARPET TO  
TILE CONVERSION – 2<sup>ND</sup> FLOOR**

Notice is hereby given that work on the above-referenced project, on City owned property located at 156 South Broadway, Turlock, California was completed by the undersigned agency on July 24, 2012. The contractor of work was JDS Tile & Construction, P O Box 205, Denair, California 95316, and the owner is the City of Turlock, 156 South Broadway, Suite 150, Turlock, California, 95380. Kindly refer to said Project Number on all communications relating to this work.

**VERIFICATION**

I, the undersigned, City Engineer of the owner of the aforesaid interest, have read this notice; I know and understand the contents thereof; and the facts stated therein are true of my own knowledge.

I declare under penalty of perjury that the foregoing is true and correct.

CITY OF TURLOCK

---

MICHAEL G. PITCOCK, PE  
CITY ENGINEER  
OWNER'S AGENT

Executed on July 25, 2012 at Turlock, California, Stanislaus County



## Council Synopsis

5F

July 24, 2012

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From: Michael G. Pitcock, PE  
Director of Development Services / City Engineer

Prepared by: Jeff Haney, Senior Engineering Technician

Agendized by: Roy W. Wasden, City Manager

**1. ACTION RECOMMENDED:**

Motion: Accepting improvements for City Project No. 12-32, "Rollup Door Replacement at Fire Station No. 2 & No. 4," and authorizing the City Engineer to file a Notice of Completion

**2. DISCUSSION OF ISSUE:**

On April 24, 2012, staff awarded a contract in the amount of \$13,834.00 to Barton Overhead Door, Inc. of Modesto, California for "Rollup Door Replacement at Fire Station No. 2 & No. 4." The contracted work has been completed to the satisfaction of the City.

**3. BASIS FOR RECOMMENDATION:**

A) City Municipal Code requires that the City Council authorize the City Engineer to sign the Notice of Completion.

**Strategic Plan Initiative C. PUBLIC SAFETY**

**Goal(s):**

- a Turlock Fire Department
- ii. Provide station locations that enhance appropriate response times with appropriate equipment and staffing.

**4. FISCAL IMPACT / BUDGET AMENDMENT:**

No additional funds are needed for the project.

**5. CITY MANAGER'S COMMENTS:**

Recommend approval.

**6. ENVIRONMENTAL DETERMINATION:**

Exempt per CEQA Section 15301 (Existing Facilities)

**7. ALTERNATIVES:**

Deny acceptance of work completed. Staff does not recommend this as the contractor completed the work according to the project specifications.

**RECORDED AT THE REQUEST OF:**  
CITY OF TURLOCK

**WHEN RECORDED MAIL TO:**  
CITY OF TURLOCK  
*Office of the City Clerk*  
156 S. Broadway, Suite 230  
TURLOCK CA 95380-5454

**NOTICE OF COMPLETION  
CITY PROJECT NO. 12-32  
ROLLUP DOOR REPLACEMENT AT FIRE STATION NO. 2 & NO. 4**

Notice is hereby given that work on the above-referenced project, on City owned property Fire Station No. 2 located at 791 South Walnut Road and Fire Station No. 4 located at 2820 North Walnut Road, Turlock, California was completed by the undersigned agency on July 24, 2012. The contractor of work was Barton Overhead Door Incorporated, 1132 North Carpenter Road, Modesto, California 95351, and the owner is the City of Turlock, 156 South Broadway, Suite 150, Turlock, California, 95380. Kindly refer to said Project Number on all communications relating to this work.

**VERIFICATION**

I, the undersigned, City Engineer of the owner of the aforesaid interest, have read this notice; I know and understand the contents thereof; and the facts stated therein are true of my own knowledge.

I declare under penalty of perjury that the foregoing is true and correct.

CITY OF TURLOCK

---

MICHAEL G. PITCOCK, PE  
CITY ENGINEER  
OWNER'S AGENT

Executed on July 25, 2012 at Turlock, California, Stanislaus County



## Council Synopsis

54

July 24, 2012

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From: Michael G. Pitcock, PE  
Director of Development Services /City Engineer

Prepared by: Michael G. Pitcock, PE  
Director of Development Services /City Engineer

Agendized by: Roy W. Wasden, City Manager

### 1. ACTION RECOMMENDED:

Motion: Approving Amendment No. 1 to the reimbursement agreement between City of Turlock and Turlock DB, LLC, in the amount of \$33,700, for the construction of a sewer lift station associated with the Northwest Triangle Specific Plan and its associated Fee Nexus Study, bringing the total to \$287,636

### 2. DISCUSSION OF ISSUE:

Staff has been working with Hall Equities to develop the NW corner of Tuolumne Road and Countryside. The proposed project consists of approximately 209,155 square feet of commercial/retail floor area on approximately 19.29 acres. The project is a continuation of the Monte Vista Crossings Shopping Center. Development of the project will provide vehicular and pedestrian access to the existing shopping center to the north. Related on and off-site improvements, including parking and landscaping are included.

As this project is south of the sewer shed for Monte Vista Crossings, sewer service will flow south to Tuolumne and then east to Tully Road. All pipeline improvements have been installed. Since the sewer lift station has electrical/electronic components, it is necessary that it operate and not sit idle. Therefore, it has not been previously installed as we waited for a user. Turlock DB, LLC is proposing the first development that would utilize this sewer lift station and as such needs to install it. The sewer lift station is included in the Northwest Triangle Specific Plan and the cost of the improvement is included in specific plan fees collected on improvements. The proposed amendment in the amount of \$33,700 covers the cost of installing the necessary electrical power components per Turlock irrigation District requirements. At the completion of the construction and acceptance by the city, the city will reimburse Turlock DB, LLC in the amount of \$287,636.

**3. BASIS FOR RECOMMENDATION:**

(A) All reimbursement agreement must be approved by the City Council.

**Strategic Plan Initiative D. MUNICIPAL INFRASTRUCTURE**

- Goal(s):**
- a. Identify avenues to address current deficiencies (general fund, grants, ballot initiatives, assessment districts)
    - v. Water & Sewer
  - b. Address Growth-Related Issues (Current and Future)
    - iii. Wastewater

**Strategic Plan Initiative E. ECONOMIC DEVELOPMENT**

- Goal(s):**
- l. Improve partnerships and communication between City, California State University and the Business Community

**Strategic Plan Initiative F. INTELEGENT, PLANNED, MANAGED GROWTH**

- Goal(s):**
- b. Continue use of Specific and Master Plans

**4. FISCAL IMPACT / BUDGET AMENDMENT:**

**Fiscal Impact:**

- \$287,636 from Northwest Triangle Specific Plan fees budgeted in fund 230-40-456-502.51280

No General Fund money will be used to fund the sewer lift station.

**5. CITY MANAGER'S COMMENTS:**

Recommend approval

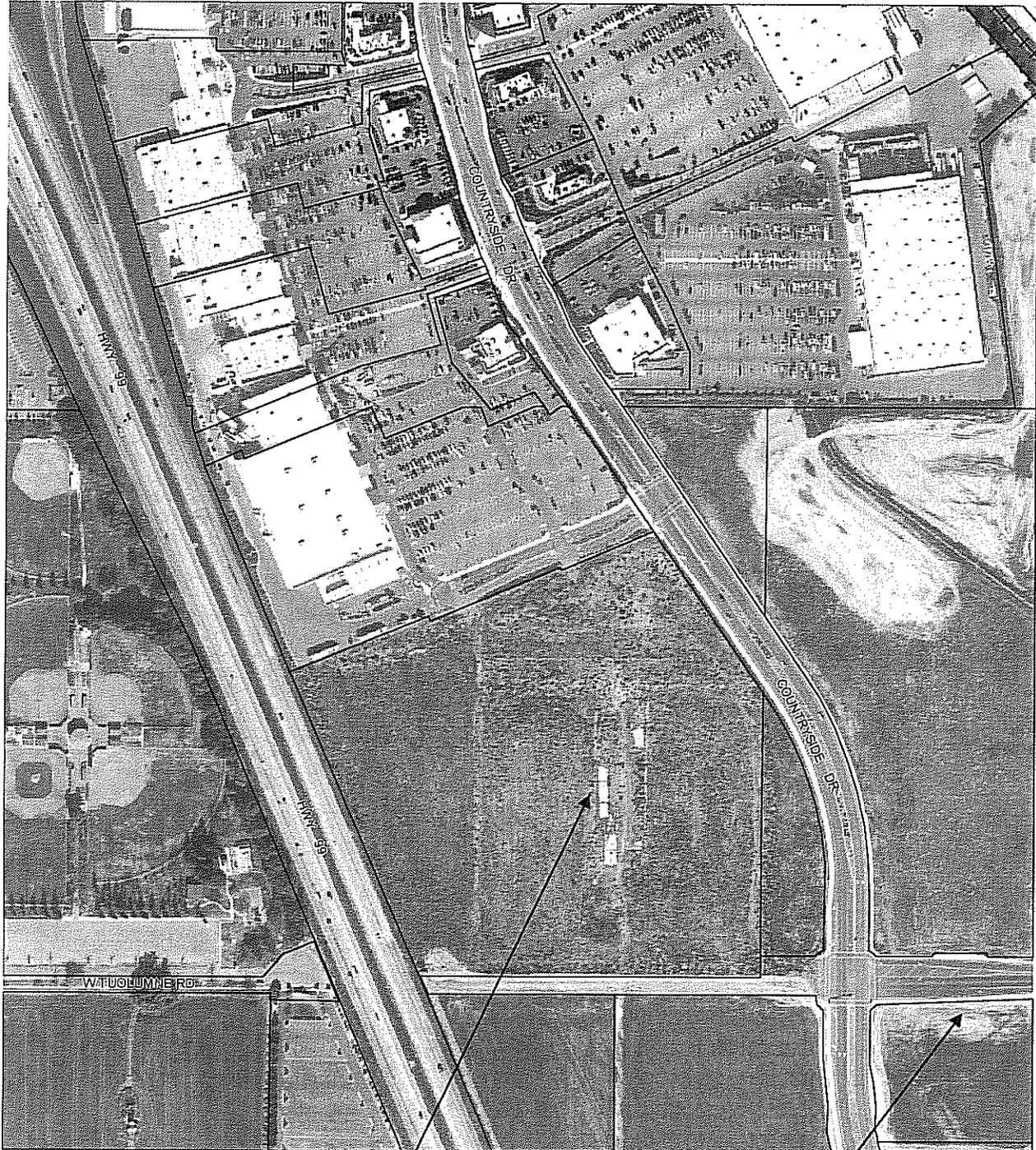
**6. ENVIRONMENTAL DETERMINATION:**

N/A

**7. ALTERNATIVES:**

Not approve the motion as presented. Staff does not recommend this as this is a mechanism to spur economic growth through public infrastructure improvements.

LOCATION MAP



Proposed Development  
19.29 Acres

Proposed Sewer Lift  
Station



**AMENDMENT NO. 1  
to  
Agreement  
Between  
CITY OF TURLOCK  
and  
TURLOCK DB, LLC**

---

**THIS AMENDMENT**, dated July 24, 2012, is entered into by and between the **CITY OF TURLOCK**, a municipal corporation (hereinafter "CITY") and **TURLOCK DB, LLC**, (hereinafter "DEVELOPER").

**WHEREAS**, the parties hereto previously entered into an agreement dated October 12, 2010, whereby DEVELOPER has agreed to construct the necessary infrastructure improvements in order to facilitate the development of the Northwest Triangle Specific Plan, to enter into this Agreement with the City, and to administer certain other common aspects of their development (hereinafter the "Agreement").

**NOW, THEREFORE**, the parties hereto mutually agree to amend said Agreement as follows:

1. Paragraph 3.A. of the Agreement is amended to read as follows:

**3.A. Obligation of Developer.** Entirely at Developer's cost, Developer shall construct or provide for the construction of the Infrastructure Improvements specifically set forth on Exhibit "D (Revision #1)." attached hereto. All such construction shall be performed by duly licensed contractors. All contractors performing work on the Infrastructure Improvements shall pay the general prevailing wage rates of per diem, overtime and holiday wages as determined by the Director of the Department of Industrial Relations pursuant to California Labor Code §1720 et seq. For any construction that will take place in a City right-of-way, Developer or its contractors shall apply for and obtain a City encroachment permit and provide all required insurance and security. All construction is to be inspected and approved by City and must be completed in accordance with City of Turlock Standard Specifications and Drawings and requirements as determined by the City Engineer. Developer shall make all dedications, pay all exactions and be subject to all conditions which are set forth in this Agreement and in the Project Approvals. Developer shall not be required to construct any Infrastructure Improvements in areas where the City has not obtained the necessary rights-of-way from individuals or entities other than Developer.

*OK for Agenda*  
*AM*

2. Paragraph 5.C. of the Agreement is amended to read as follows:

**5.C. Completion of Reimbursements.** At such time as Developer has received cash Reimbursements equal to the Cost of Improvements for the Infrastructure Improvements in the sum of \$287,636, as set forth on Exhibit "D (Revision #1)", the City shall have no further obligation under this Agreement.

3. All other terms and conditions of the Agreement shall remain in full force and effect.

**IN WITNESS WHEREOF**, the parties hereto have caused this Amendment to be executed by and through their respective officers thereunto duly authorized on the date first written hereinabove.

**CITY OF TURLOCK**  
156 S. Broadway, Ste. 230  
Turlock, CA 95380  
Attn: Roy W. Wasden, City Manager

**TURLOCK DB, LLC**  
1855 Olympic Blvd., Ste. 250  
Walnut Creek, CA 94596  
Attn: Mark D. Hall, President

By: \_\_\_\_\_  
Roy W. Wasden, City Manager

By: \_\_\_\_\_  
Mark D. Hall, President

APPROVED AS TO SUFFICIENCY:

BY: \_\_\_\_\_  
Michael G. Pitcock, P.E.  
Director of Development Services/  
City Engineer

Date: \_\_\_\_\_

APPROVED AS TO FORM:

By: \_\_\_\_\_  
Phaedra A. Norton, City Attorney

ATTEST:

By: \_\_\_\_\_  
Kellie E. Weaver, City Clerk

**EXHIBIT "D (Revision #1)"**

**Infrastructure Improvements and Reimbursement Amount**

Construction of Sewer Lift Station at Tuolumne and Countryside: .....	\$222,800
<b>Install Required TID Electric Power Transmission Improvements: .....</b>	<b>\$33,700</b>
Engineering Design: .....	\$7,139
Construction Engineering and Staking: .....	\$7,000
Permits/Fees/Testing: .....	\$5,000
Turlock DB, LLC Project Management Fee: .....	<u>\$11,997</u>
<b>TOTAL REIMBURSEMENT: .....</b>	<b>\$287,636</b>



## Council Synopsis

5H

July 24, 2012

From: Michael G. Pitcock, P.E.  
Director of Development Services / City Engineer

Prepared by: Wayne York, Engineering Technician II

Agendized by: Roy W. Wasden, City Manager

### 1. ACTION RECOMMENDED:

Resolution: Directing the City Manager or Director of Development Services/City Engineer to sign all right-of-way certifications, assurances and statements in regard to any and all Federal Highway Administration (FHWA) and Federal Transit Administration (FTA) projects for the Federal Fiscal Year 2012-13

### 2. DISCUSSION OF ISSUE:

Applications were made and approved by StanCOG for Federal Fiscal Year 2012-13 for FHWA and FTA funds to be used for the purchase of capital equipment and to construct various city improvement projects through the fiscal year. Certain right-of-way certifications, assurances, and statements are required to be signed by an appointed city official during the process of approvals to proceed with these projects.

CalTrans, FHWA, and FTA require the approval of a resolution authorizing a designated staff member to sign all certifications related to receiving these funds for FY 2012-13. This authorization expedites the federal paperwork process and allows the projects to be completed in a timely manner.

### 3. BASIS FOR RECOMMENDATION:

- A) CalTrans, FHWA, FTA require a resolution designating the City Manager or Director of Development Services / City Engineer authority to sign of various documents.
- B) The adoption of the resolution will facilitate and speed the completion of various federal projects during Federal FY 2012-13.

**Strategic Plan Initiative:** B. FISCAL RESPONSIBILITY

**Goals(s):** b. Identify smart revenue opportunities including but not limited to grants and outside sources of funding.

**4. FISCAL IMPACT / BUDGET AMENDMENT:**

Fiscal Impact None

Budget Amendment None

**5. CITY MANAGER'S COMMENTS:**

Recommend approval.

**6. ENVIRONMENTAL DETERMINATION:**

N/A

**7. ALTERNATIVES:**

Not approve the resolution and require a separate resolution be prepared for each individual federally funded project. Staff does not recommend this alternative due to the fact that this action would delay the process of obtaining federal funding for various projects through out the city.

BEFORE THE CITY COUNCIL OF THE CITY OF TURLOCK

IN THE MATTER OF DIRECTING THE CITY } RESOLUTION NO. 2012-  
MANAGER OR DIRECTOR OF DEVELOPMENT }  
SERVICES\CITY ENGINEER TO SIGN ALL }  
RIGHT-OF-WAY CERIFICATIONS, ASSURANCES }  
AND STATEMENTS IN REGARD TO ANY AND }  
ALL FEDERAL HIGHWAY ADMINISTRATION }  
(FHWA) AND FEDERAL TRANSIT }  
ADMINISTRATION (FTA) PROJECTS FOR THE }  
FEDERAL FISCAL YEAR }  
2012-13 }

---

**WHEREAS**, the City of Turlock has a desire and commitment to apply for and receive federal and state funding to construct various city improvement projects throughout the year; and

**WHEREAS**, certain right of way assurances and statements are required to be signed by an appointed city official during this process and authorizing resolution is required; and

**NOW, THEREFORE, BE IT RESOLVED** that the City Council of the City of Turlock does hereby authorize the City Manager or the Director of Development Services/City Engineer to sign all right-of-way certifications, assurances and statements in regard to any and all Federal Highway Administration (FHWA) and Federal Transit Administration (FTA) projects for Federal Fiscal Year 2012-13.

**PASSED AND ADOPTED** at a regular meeting of the City Council of the City of Turlock this 24<sup>th</sup> day of July 2012, by the following vote:

AYES:  
NOES:  
NOT PARTICIPATING:  
ABSENT:

ATTEST:

---

Kellie E. Weaver  
City Clerk, City of Turlock, County  
of Stanislaus, State of California



## Council Synopsis

5I

July 24, 2012

---

From: Michael G. Pitcock, P.E.  
Director of Development Services / City Engineer

Prepared by: Anthony R. Orosco, Senior Civil Engineer

Agendized by: Roy W. Wasden, City Manager

### 1. ACTION RECOMMENDED:

Resolution: Considering Intention to Levy and Collect Assessments for the Parcel Map 11-04 (Avena Bella) Landscaping, Lighting, and Street Maintenance Benefit Assessment District, Development Project No. 11-32

### 2. DISCUSSION OF ISSUE:

This item is the second resolution in the formation of a benefit assessment district for the Parcel Map 11-04 (Avena Bella) located at the South side of W. Linwood, South of West Avenue South. A consent to levy assessments form has been signed by the property owner, Felix AuYeung, authorizing the City Engineer to act as the Engineer of Work in the proceedings. The City Engineer then determines the cost of improvements and/or maintenance of the development landscaping, street lighting, and streets. The Landscaping and Lighting Act of 1972 and the Benefit Assessment Act of 1982 directs the Engineer of Work to produce an Engineer's Report which details the annual costs to each individual lot in the development, which is collected on property taxes.

The purpose of the assessment district is to ensure that this new development pays for its own maintenance and operation of the streetlights, landscape maintenance, street sweeping, and future slurry seals on the development streets. By forming this district the developer proceeds to construct the development and places no additional impacts on existing city funds that maintain streets, lighting, and landscaping.

### 3. BASIS FOR RECOMMENDATION:

- A) Staff's recommendation is based on laws governing the provision of funding basic improvements in a subdivision or development, such as maintenance of landscaping foliage, street light repair, and street maintenance or repair.
- B) This benefit funding is maintained and tracked by staff. The funds that are collected from this development will pay for its impacts on City street lighting,

street sweeping, street slurry seals, and landscaping, so as to not affect existing city funds.

**Strategic Plan Initiative F. POLICY INITIATIVE – INTELLIGENT, PLANNED, MANAGED GROWTH:**

**Goal(s): 1) c. Ensure that all new growth pays for itself (Assessment Districts, CFF/PAF, CFD)**

**4. FISCAL IMPACT / BUDGET AMENDMENT:**

**Fiscal Impact:** The first year annual assessment collection from this subdivision will be \$1,686.52. Annual assessments are tied to the Engineering News Record (ENR) Index and will be adjusted accordingly.

**5. CITY MANAGER'S COMMENTS:**

Recommend approval.

**6. ENVIRONMENTAL DETERMINATION:**

Not applicable.

**7. ALTERNATIVES:**

Deny the resolution to consider the intention to levy and collect assessments for this assessment district. City staff does not recommend this alternative, however, because maintenance costs from this development would then impact other city funds.

BEFORE THE CITY COUNCIL OF THE CITY OF TURLOCK

IN THE MATTER OF CONSIDERING }  
INTENTION TO LEVY AND COLLECT }  
ASSESSMENTS FOR THE PARCEL MAP }  
11-04 (AVENA BELLA) LANDSCAPING, }  
LIGHTING, AND STREET MAINTENANCE }  
BENEFIT ASSESSMENT DISTRICT, }  
DEVELOPMENT PROJECT NO. 11-32 }  
\_\_\_\_\_}

RESOLUTION NO. 2012-

**WHEREAS**, the City Council of the City of Turlock intends to levy and collect assessments within the Parcel Map 11-04 (Avena Bella) Landscaping, Lighting, and Street Maintenance Benefit Assessment District during the fiscal year 2012-2013 pursuant to the Landscaping and Lighting Act of 1972, and the Benefit Assessment Act of 1982. The area of land to be assessed is located within the City of Turlock, County of Stanislaus, State of California; and

**WHEREAS**, the improvements to be made in this assessment district are generally described as follows, with no substantial changes to approved improvements:

*The maintenance and replacement of street trees, plants, vegetation, sprinkler systems, rear yard wall adjacent to or within the public right of way, street lighting, streets, improvements, and appurtenances adjacent to or within the public right of way in the streets included in Parcel Map 11-04 (Avena Bella), a development of Assessor's Parcel Number 044-064-04, County of Stanislaus, City of Turlock; and*

**WHEREAS**, in accordance with the City Council's resolution initiating proceedings, the City Engineer has filed with the City Clerk the report required by the Landscaping and Lighting Act of 1972. Said Engineer's Report is hereby approved as filed. All interested persons are referred to that report for a full and detailed description of the improvements, the boundaries of the assessment district, and the proposed assessments upon assessable lots and parcels within the assessment district; and

**WHEREAS**, on Tuesday, the 14<sup>th</sup> day of August, 2012, at the hour of 7:00 p.m., prevailing local time, the City Council of the City of Turlock will conduct a public hearing on the question of the levy of the proposed annual assessment. The meeting will be held in the Yosemite Room on the 2<sup>nd</sup> floor of City Hall at 156 S. Broadway, in Turlock, California.

**NOW, THEREFORE, BE IT RESOLVED** that the City Council of the City of Turlock does hereby intend to levy and collect assessments for the Parcel Map 11-04 (Avena Bella) Landscaping, Lighting, and Street Maintenance Benefit Assessment District.

**BE IT FURTHER RESOLVED** that the City Clerk is authorized and directed to give the notice of hearing required by the Landscaping and Lighting Act of 1972.

**PASSED AND ADOPTED** at a regular meeting of the City Council of the City of Turlock this 24<sup>th</sup> day of July 2012, by the following vote:

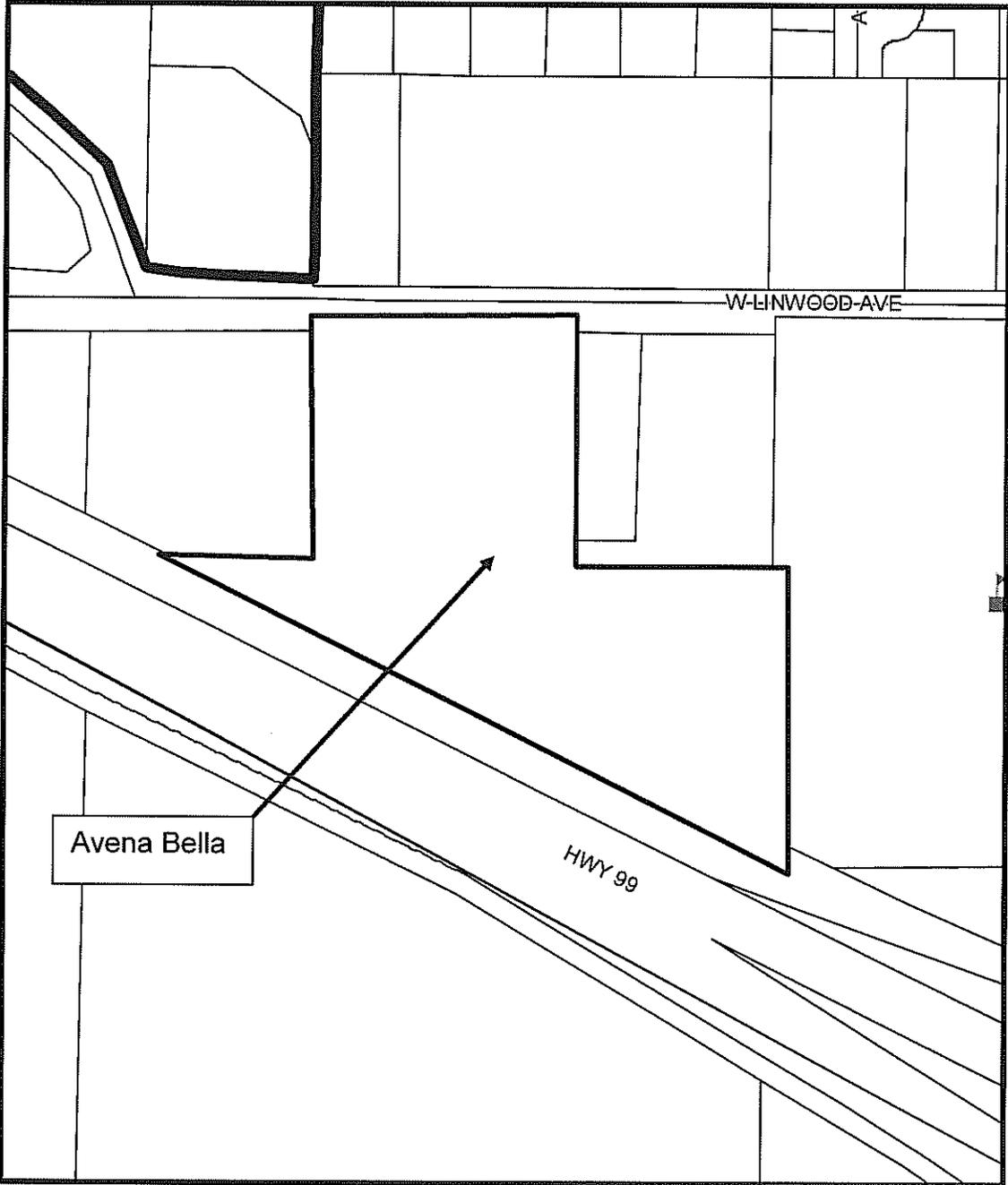
AYES:  
NOES:  
NOT PARTICIPATING:  
ABSENT:

ATTEST:

---

Kellie E. Weaver, City Clerk, City  
of Turlock, County of Stanislaus,  
State of California

SITE MAP  
Of  
PARCEL MAP 11-04 (AVENA BELLA)





## Council Synopsis

55  
July 24, 2012

---

From: Michael G. Pitcock, P.E.  
Director of Development Services / City Engineer

Prepared by: Anthony R. Orosco, Senior Civil Engineer

Agendized by: Roy W. Wasden, City Manager

### 1. ACTION RECOMMENDED:

Resolution: Considering Intention to Levy and Collect Assessments for the Parcel Map 12-01 (Moline) Landscaping, Lighting, and Street Maintenance Benefit Assessment District, Development Project No. 12-33

### 2. DISCUSSION OF ISSUE:

This item is the second resolution in the formation of a benefit assessment district for the Parcel Map 12-01 (Moline) located at the Southeast corner of the intersection of East Minnesota and Greenboro Streets. The consent to levy assessments form has been signed by the property owner, Donald Moline, authorizing the City Engineer to act as the Engineer of Work in the proceedings. The City Engineer then determines the cost of improvements and/or maintenance of the development landscaping, street lighting, and streets. The Landscaping and Lighting Act of 1972 and the Benefit Assessment Act of 1982 directs the Engineer of Work to produce an Engineer's Report which details the annual costs to each individual lot in the development which is collected on property taxes.

The purpose of the assessment district is to ensure that this new development pays for its own maintenance and operation of the streetlights, landscape maintenance, street sweeping, and future slurry seals. By forming this district the developer proceeds to construct the development and places no additional impacts on existing city funds that maintain streets, lighting, and landscaping.

### 3. BASIS FOR RECOMMENDATION:

A) Staff's recommendation is based on laws governing the provision of funding basic improvements in a subdivision or development such as maintenance of landscaping foliage, street light repair, and street maintenance or repair.

B) This benefit funding is maintained and tracked by staff. The funds that are collected from this development will pay for its impacts on city street lighting, street sweeping, street slurry seals, and landscaping, so as to not affect existing city funds.

**Strategic Plan Initiative F. POLICY INITIATIVE – INTELLIGENT, PLANNED, MANAGED GROWTH:**

**Goal(s):** 1) c. Ensure that all new growth pays for itself (Assessment Districts, CFF/PAF, CFD)

**4. FISCAL IMPACT / BUDGET AMENDMENT:**

**Fiscal Impact:** The first year annual assessment collection from this subdivision will be \$798.27. Annual assessments are tied to the Engineering News Record (ENR) Index and will be adjusted accordingly.

**5. CITY MANAGER’S COMMENTS:**

Recommend approval.

**6. ENVIRONMENTAL DETERMINATION:**

Not applicable.

**7. ALTERNATIVES:**

Deny the resolution to consider the intention to levy and collect assessments for this assessment district. City staff does not recommend this alternative, however, because maintenance costs from this development would then impact other city funds.

BEFORE THE CITY COUNCIL OF THE CITY OF TURLOCK

IN THE MATTER OF CONSIDERING }  
INTENTION TO LEVY AND COLLECT }  
ASSESSMENTS FOR THE PARCEL MAP }  
12-01 (MOLINE) LANDSCAPING, LIGHTING, }  
AND STREET MAINTENANCE BENEFIT }  
ASSESSMENT DISTRICT, DEVELOPMENT }  
PROJECT NO. 12-33 }  
\_\_\_\_\_ }

RESOLUTION NO. 2012-

**WHEREAS**, the City Council of the City of Turlock intends to levy and collect assessments within the Parcel Map 12-01 (Moline) Landscaping, Lighting, and Street Maintenance Benefit Assessment District during the fiscal year 2012-2013 pursuant to the Landscaping and Lighting Act of 1972, and the Benefit Assessment Act of 1982. The area of land to be assessed is located within the City of Turlock, County of Stanislaus, State of California; and

**WHEREAS**, the improvements to be made in this assessment district are generally described as follows, with no substantial changes to approved improvements:

*The maintenance and replacement of street trees, plants, vegetation, sprinkler systems, rear yard wall adjacent to or within the public right of way, street lighting, streets, improvements, and appurtenances adjacent to or within the public right of way in the streets included in Parcel Map 12-01 (Moline), a development of Assessor's Parcel Number 072-023-062, County of Stanislaus, City of Turlock; and*

**WHEREAS**, in accordance with the City Council's resolution initiating proceedings, the City Engineer has filed with the City Clerk the report required by the Landscaping and Lighting Act of 1972. Said Engineer's Report is hereby approved as filed. All interested persons are referred to that report for a full and detailed description of the improvements, the boundaries of the assessment district, and the proposed assessments upon assessable lots and parcels within the assessment district; and

**WHEREAS**, on Tuesday, the 14<sup>th</sup> day of August, 2012, at the hour of 7:00 p.m., prevailing local time, the City Council of the City of Turlock will conduct a public hearing on the question of the levy of the proposed annual assessment. The meeting will be held in the Yosemite Room on the 2<sup>nd</sup> floor of City Hall at 156 S. Broadway, in Turlock, California.

**NOW, THEREFORE, BE IT RESOLVED** that the City Council of the City of Turlock does hereby intend to levy and collect assessments for the Parcel Map 12-01 (Moline) Landscaping, Lighting, and Street Maintenance Benefit Assessment District.

**BE IT FURTHER RESOLVED** that the City Clerk is authorized and directed to give the notice of hearing required by the Landscaping and Lighting Act of 1972.

**PASSED AND ADOPTED** at a regular meeting of the City Council of the City of Turlock this 24<sup>th</sup> day of July 2012, by the following vote:

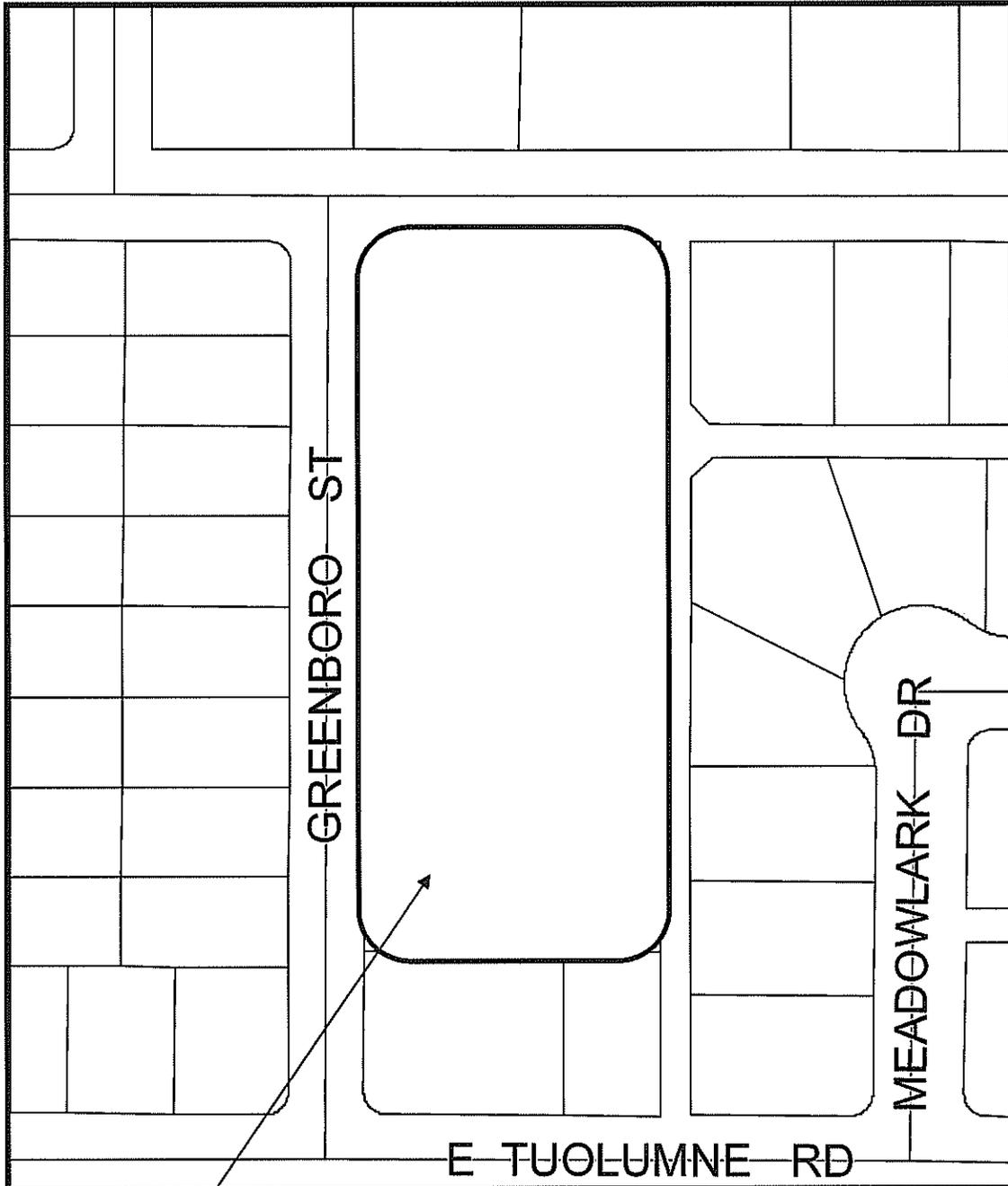
AYES:  
NOES:  
NOT PARTICIPATING:  
ABSENT:

ATTEST:

---

Kellie E. Weaver, City Clerk, City  
of Turlock, County of Stanislaus,  
State of California

SITE MAP  
Of  
PARCEL MAP 12-01 (MOLINE)



Parcel Map 12-01  
APN #072-023-033



# Council Synopsis

5K

July 24, 2012

From: Dan Madden, Municipal Services Director

Prepared by: Stephen Fremming, Associate Civil Engineer

Agendized by: Roy W. Wasden, City Manager

## 1. ACTION RECOMMENDED:

Motion: Approving Contract Change Order No. 1 in the amount of \$324,475 (Fund 415) for City Project No. 0751, "Turlock Regional Water Quality Control Facility Headworks and Secondary Treatment Capacity Expansion - Phase 1," bringing the contract total to \$23,414,475

## 2. DISCUSSION OF ISSUE:

On June 12, 2012, the City Council awarded a contract in the amount of \$23,090,000 to C. Overaa & Co. of Richmond, California, for City Project No. 0751, "Turlock Regional Water Quality Control Facility Headworks and Secondary Treatment Capacity Expansion - Phase 1."

Change Order History:

	Amount	City Council Meeting
Original Contract	\$23,090,000	6/12/2012
Change Order No. 1	\$ 324,475	7/26/2012
Adjusted Contract Total	\$23,414,475	

Change Order No. 1 includes:

### A) Hot Water Circulation Piping Replacement - \$324,475

Hot water is provided by boilers and delivered to the digesters in order to maintain a temperature conducive to the digestion process. In early January 2012, Staff discovered a significant loss in pressure in the two (2) four inch (4") diameter ductile iron pipes that carry hot water to and from the plant's boilers and digesters. The pipes were drained and were excavated in a few locations to allow for further inspection. Deterioration of the pipe material was visible at the joints due to corrosion. It appears that the joints were not wrapped with protective material when the pipe was installed approximately sixteen years ago. On January 31, 2012, the City Manager declared an emergency for the replacement of the damaged hot water circulation piping at the Turlock Regional Water Quality Control Facility. A design package suitable for emergency replacement work was prepared and selected contractors were

asked to provide a quote for the work. Two quotes were obtained, and the lowest quote was from C. Overaa & Co., the same contractor who was recently awarded the treatment plant expansion project. The original intent was to award a separate contract under a separate project number for the completion of the work, but since the City already has an executed Agreement in place for C. Overaa & Co. at the treatment facility, and because the hot water circulation piping is a critical system to the treatment facility, City staff requests the approving of the hot water piping replacement work via Contract Change Order.

The Contractor's bid price for the work is \$294,977. Staff requests that a 10% construction contingency be added to the Purchase Order to the Contractor's bid amount to account for any unforeseen conditions, such that the total amount of Contract Change Order No. 1 is \$324,475.

**3. BASIS FOR RECOMMENDATION:**

- A) City Policy authorizes the City Engineer to approve change orders up to 2%, the City Manager is authorized to approve change orders up to 5%, and all other change orders must be approved by the City Council.
- B) The sewer treatment process depends on a constant supply of hot water to maintain temperatures conducive to the digestion process. The replacement of the hot water piping provides redundancy by supplying hot water to all digesters from multiple boilers, as well as decreases the risk that a digester may become non-operational if a single boiler is taken offline.

**Strategic Plan Initiative D. MUNICIPAL INFRASTRUCTURE**

**Goal(s):** b Address growth related issues (current and future)  
iii. Wastewater

This project increases the City's ability to effectively receive, treat, and discharge treated wastewater.

**4. FISCAL IMPACT / BUDGET AMENDMENT:**

**Fiscal Impact:**

The Contractor's bid price for the work is \$294,977. Staff requests that a 10% construction contingency be added to the Purchase Order to the Contractor's bid amount to account for any unforeseen conditions, such that the total amount of Contract Change Order No. 1 is \$324,475.

The fiscal year 2012/13 budget includes a contingency fund in the amount of \$1,875,000 under line item number 415-51-537.51270, "Contingency" for Contract Change Orders.

No General Fund money will be used for this project.

**5. CITY MANAGER'S COMMENTS:**

Recommend approval.

**6. ENVIRONMENTAL DETERMINATION:**

N/A

**7. ALTERNATIVES:**

- A. Not approve Change Order No. 1. This is not recommended as the work is needed to correct the deficiency in the hot water pipe at the Turlock Regional Water Quality Control Facility and the Contractor already has an executed Agreement with the City for improvements at the facility.
- B. Pursue a separate Public Improvement Agreement under a separate project number for this work. This action is not recommended as it would increase the project administration costs as well as delay the hot water pipe repairs, as additional bonds and insurance certificates would need to be provided before a Notice to Proceed could be issued.

Turlock Regional Water Quality Control Facility Headworks and Secondary Treatment  
Expansion - Phase 1

City Project No. 0751









## Council Synopsis

52

July 24, 2012

From: Dan Madden, Municipal Services Director

Prepared by: Toni Cordell, Staff Services Technician

Agendized by: Roy W. Wasden, City Manager

### 1. ACTION RECOMMENDED:

Resolution: Authorizing the City Manager to sign the ITRON Statement of Work, as well as any future documents related to the endpoint replacement, project infrastructure, and software support for the "AMR Water Meter Warranty Project"

### 2. DISCUSSION OF ISSUE:

In 2007, the City Council approved the sole source purchase and installation of a "Fixed Network" from ITRON of Liberty Lake, WA that allowed for the remote reading of water meters. This project included new water meters and electronic readers (endpoints) at each water connection within the City. This system allowed data to be accessed via the internet and is the basis for our current metered water billing program.

On October 11, 2011, the City Council authorized the City Manager to enter into special warranty offer from ITRON, to address persistent problems encountered with the original endpoint equipment that was installed. The warranty specified that ITRON would remove the old AMR water meter system and provide and install all of the new equipment at their expense provided the City would fund the purchase of specific hardware and software necessary for the project. The warranty was subsequently executed by the City Manager on October 14, 2011.

The "ITRON Statement of Work" (EXHIBIT A) provides a detailed description, strategy and completion criteria for the management of deliverables, resources, scope, risk, financials and overall communication regarding the Warranty Project.

### 3. BASIS FOR RECOMMENDATION:

A. Council has approved and executed the "Special Warranty" agreement with ITRON for the replacement of faulty equipment. The authorization of the Project "Statement of Work" (EXHIBIT A) is necessary to commence the Warranty work.

- B. Authorizing the City Manager to sign any additional documentation related to replacement, support infrastructure and software support for the "AMR Water Meter Project" will avoid any further delay in project completion.

**Strategic Plan Initiative D. MUNICIPAL INFRASTRUCTURE**

**Goal(s):** a. Identify avenues to address current deficiencies (general fund, grants, ballot initiatives, assessment districts) in:

v) Water & Sewer

**4. FISCAL IMPACT / BUDGET AMENDMENT:**

**Fiscal Impact**

There is no additional budget impact as funds have already been allocated towards the project.

**Budget Amendment**

None.

**5. CITY MANAGER'S COMMENTS:**

Recommend approval.

**6. ENVIRONMENTAL DETERMINATION:**

N/A

**7. ALTERNATIVES:**

Not authorize the City Manager to approve the Project "Statement of Work" and/or further necessary documents related to the project. Staff does not endorse this action as it is necessary in order to proceed with work activities related to the Special Warranty Agreement.

BEFORE THE CITY COUNCIL OF THE CITY OF TURLOCK

IN THE MATTER OF AUTHORIZING THE }  
CITY MANAGER TO SIGN THE ITRON }  
STATEMENT OF WORK AS WELL AS ANY }  
FUTURE DOCUMENTS RELATED TO THE }  
ENDPOINT REPLACEMENT, PROJECT }  
INFRASTRUCTURE, AND SOFTWARE }  
SUPPORT FOR THE "AMR WATER METER }  
WARRANTY PROJECT" }  
\_\_\_\_\_ }

RESOLUTION NO. 2012-

**WHEREAS**, on October 11, 2011 the City Council authorized the City Manager to enter into a warranty agreement with ITRON for the replacement of 18,200 end points and related equipment; and

**WHEREAS**, the ITRON Statement of Work (EXHIBIT A) provides a detailed description, strategy and completion criteria for the management of deliverables, resources, scope, risk, financials and overall communication regarding the Warranty Project; and

**WHEREAS**, approval of the "ITRON Statement of Work" is necessary to commence work; and

**WHEREAS**, authorizing the City Manager to sign any additional documentation related to replacement, support infrastructure and software support for the "AMR Water Meter Warranty Project" will avoid any further delay in project completion.

**NOW, THEREFORE, BE IT RESOLVED** that the City Council of the City of Turlock does hereby authorize the City Manager to sign the ITRON Statement of Work (EXHIBIT A) as well as any future documents related to the endpoint replacement, project infrastructure, and software support for the "AMR Water Meter Warranty Project".

**PASSED AND ADOPTED** at a regular meeting of the City Council of the City of Turlock this 24<sup>th</sup> day of July, 2012, by the following vote:

AYES:  
NOES:  
NOT PARTICIPATING:  
ABSENT:

ATTEST:

\_\_\_\_\_  
Kellie E. Weaver, City Clerk,  
City of Turlock, County of Stanislaus,  
State of California



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# Statement of Work

## AUTOMATED METER READING SYSTEM

**Turlock, CA**

*Author: Cait Eyre*

*Date: 7 June 2012*

*Version: 1.0*

OK for Agenda  
*[Signature]*

**Table of Contents**

- A. Intentionally left blank ..... 4
- B. AMR System and Project Overview ..... 5
- C. Project Resources ..... 6
  - C.1. Project Resources ..... 6
- D. General Project Requirements ..... 7
- E. AMR System Deliverable: Project Management Services ..... 8
  - E.1. Project Management Services..... 8
    - E.1.1.Description, Strategy and Completion Criteria ..... 8
    - E.1.2.Deliverable Tasks (Descriptions and Responsibilities of the Parties)..... 8
- F. AMR System Deliverable: ChoiceConnect Application (Software) ..... 11
  - F.1. ChoiceConnect Application Software Deliverable: System Architecture and Design ..... 11
    - F.1.1.Description, Strategy and Completion Criteria ..... 11
    - F.1.2.Deliverable Requirements ..... 11
    - F.1.3.Deliverable Tasks ..... 11
  - F.2. ChoiceConnect Application Software Deliverable: Application Software (Collection Engine) ..... 12
    - F.2.1.Description, Strategy and Completion Criteria ..... 12
    - F.2.2.Deliverable Requirements ..... 12
    - F.2.3.Deliverable Tasks ..... 12
  - F.3. AMR System Deliverable: Network Design ..... 13
    - F.3.1.Description, Strategy and Completion Criteria ..... 13
    - F.3.2.Deliverable Requirements ..... 13
    - F.3.3.Deliverable Tasks ..... 14
  - F.4. AMR System Deliverable: System Testing..... 15
    - F.4.1.Description, Strategy and Completion Criteria ..... 15
    - F.4.2.Deliverable Requirements ..... 15
    - F.4.3.Deliverable Tasks ..... 15
- G. MV-RS Deliverables ..... 16
  - G.1. MV-RS Implementation..... 16
    - G.1.1. Description, Strategy and Completion Criteria ..... 16
    - G.1.2. Deliverable Assumptions ..... 16
    - G.1.3. Deliverable Tasks ..... 16
- H. AMR System Deliverable: Network / Meter / Endpoint Installations ..... 18
  - H.1. Installation Planning for Equipment..... 18
    - H.1.1.Description, Strategy and Completion Criteria ..... 18
    - H.1.2.Deliverable Requirements ..... 18
    - H.1.3.Deliverable Tasks ..... 18
  - H.2. Work Order Management ..... 19
    - H.2.1.Description, Strategy and Completion Criteria ..... 19
    - H.2.2.Deliverable Requirements ..... 19
    - H.2.3.Deliverable Tasks ..... 20
  - H.3. ChoiceConnect Collector and Repeater Installations..... 20
    - H.3.1.Description, Strategy and Completion Criteria ..... 20
    - H.3.2.Deliverable Requirements ..... 21
    - H.3.3.Deliverable Tasks ..... 21
  - H.4. AMR System Deliverable: Endpoint Installations ..... 23
    - H.4.1.Description, Strategy and Completion Criteria ..... 23
    - H.4.2.Deliverable Requirements ..... 23
    - H.4.3.Deliverable Tasks ..... 25
  - H.5. ChoiceConnect Deliverable: Training..... 29

H.5.1.Description, Strategy and Completion Criteria .....29

H.5.2.Deliverable Requirements .....29

H.5.3.Deliverable Tasks .....31

I. AMR System Deliverable: Endpoint Acceptance and System Acceptance .....32

    I.1. Endpoint and System Acceptance .....32

        I.1.1. Deliverable Tasks .....33

J. Deliverable: System Operations .....34

    J.1. Description, Strategy and Completion Criteria.....34

        J.1.1. Deliverable Requirements .....34

        J.1.2. Deliverable Tasks .....34

K. Deliverable Schedule.....36

    K.1. Installation Services Schedule.....36

L. Project Close .....37

    L.1. AMR Solution Deliverable: Project Transfer and Close .....37

        L.1.1. Description, Strategy and Completion Criteria .....37

        L.1.2. Deliverable Requirements .....37

        L.1.3. Deliverable Tasks .....37

M. Signature Page .....38

N. Change Control Process .....39

    N.1. Change Request Form.....40

    N.2. Change Order Form .....41

O. Appendix A – Interface Descriptions .....43

P. Appendix B – Milestones.....45

Q. Appendix C – Definitions .....46

R. Appendix E – Read Performance Measurement .....50

S. Appendix F – ChoiceConnect Application Software Reports .....52

T. Appendix G - Pilot .....53

U. Appendix H – Third Party Software .....54

V. Appendix J – Quality Program .....55

## A. Intentionality of Bank

## B AMR System and Project Overview

Itron shall provision a fixed network radio-based AMR System (System) to replace the existing Water SaveSource solution that will meet or exceed the performance characteristics per the Agreement, which shall, at a minimum, include the following:

- ChoiceConnect Endpoints (Endpoints)
  - 100WP – pit mount Endpoint
  - Remote antennas
- ChoiceConnect Collectors (Collectors)
- ChoiceConnect Repeaters (Repeaters)
- ChoiceConnect Application Software consisting of both Collection Engine (Network Software) and a Data Repository (Customer Care)
- Itron Mobile Collection3
- Itron FC200 handhelds
- Pacific Meters utilizing Itron FDM system and Itron hand held computers for deployment of endpoints.
- Installation of Endpoints as defined herein
- Installation of Collectors and Repeaters as defined herein
- Itron hosting services ChoiceConnect Application Software
- Implement MV-RS and training on the Itron Mobile Collector
- Professional Services, which include:
  - services required to deploy, test and provision the System
  - training of City representatives as defined herein
  - operations and maintenance training as defined herein
- Warranty Maintenance and Support Services

The Project shall include the supply, installation, configuration, testing, and activation (provisioning) of an AMR System that initially will service approximately 18,000 meters. The System shall be integrated with current water meters as documented in the meter compatibility specification and include the Equipment and Services to Provision and support the System.

The Itron ChoiceConnect AMR System is a 2-way communication system from the Endpoint to the ChoiceConnect Application Software.

Itron's Endpoints shall read and record the meter register at the top of every hour and bubble up readings every five (5) minutes or as defined by the Project Team. The Endpoints will be configured to store and process hourly intervals. Each bubble up contains the most current register read, the last eight (8) intervals of hourly data, and the leak, tamper and alarm flags. These parameters will be programmed during the installation of the Endpoint at the customer site with the contractor utilizing Itron handhelds.

Each read is time stamped at the Endpoint with an unalterable date and time. Clocks in the Endpoints shall be synchronized by the Collectors (using a GPS time reference) as required. Interval data shall be taken at the top of the hour for true hourly interval data, which is brought up through the network.

Network Devices (Collectors and Repeaters) shall be constantly listening and collecting meter data as it is transmitted by the Endpoint. The Collector will upload data to the ChoiceConnect Application Software as defined by the Project Team.

The System shall support on-demand reads from a single Endpoint or a City specified group of Endpoints directly from the Endpoint(s).

## **Project Resources**

### **C.1. Project Resources**

Itron will deliver the Project in accordance with this Statement of Work (Schedule A) using the resources defined in the table below.

The table provides resources and planned hours for each resource.

If the Project requires additional time and where no Change Order has been executed by the parties, then Itron will provide the resources at no cost to the City. Itron and City mutually agree to execute a change order if a schedule delay impacting Itron resources is caused by the City.

<b>Roles</b>	<b>Total</b>
Project Manager	519
MVRS Implementation	80
Field Engineer	189
Technical Consultant	120
Totals	908

## D. General Project Requirements

#	Requirements
1.	The level of the Services as defined in the Agreement included herein is predicated on a mutually agreeable Project schedule.
2.	The Itron Solution Delivery Manager will provide overall responsibility, sponsorship and executive level support for Itron.
3.	Itron has primary responsibility for Project planning, management and delivery of the AMR System. All Itron Project resources will report to the Itron Project Manager.
4.	Itron and the City will provide qualified personnel to staff the Project to ensure Project success and will use reasonable efforts to maintain the continuity of personnel assigned. Itron and the City will provide dedicated Project Team members and management resources to ensure timely completion of work, reviews & approvals as agreed upon in the schedule set forth in the Project Plan.
5.	The City will assign a Project Manager and appropriate staff for the duration of the Project.
6.	The City will furnish reasonable working accommodations at City Facilities that include a desk, chair, telephone and high speed connection if approved by City IT security for Itron Project Manager and Technical Resources, including Field Engineer, Business Consultant, and Technical Consultants.  Warehouse facilities to be used to store Equipment and as staging area for System field installation teams will be provided by Utility. The City will assign a Project Manager and appropriate staff for the duration of the Project.
7.	Information Systems, network design, testing and City training work under this Schedule will be performed at a City Facility unless the Project Managers (City and Itron) agree that a project related activity would be best performed elsewhere. The City will furnish reasonable working accommodations at City Facilities that include a desk, chair, telephone and high speed connection if approved by City IT security for Itron Project Manager and Technical Resources, including Field Engineer, Business Consultant, and Technical Consultants.  Warehouse facilities to be used to store Equipment and as staging area for System field installation teams will be provided by Utility.
8.	The City will be financially responsible for the purchase of required third party software, as specified in Appendix H, for production and Non-Production servers that will reside on the City's network, for the ChoiceConnect Application Software. Information Systems, network design, testing and City training work under this Schedule will be performed at a City Facility unless the Project Managers (City and Itron) agree that a project related activity would be best performed elsewhere.
9.	The City can perform quality inspections on all aspects of the Work. The City and Itron will agree on scheduling these inspections to minimize impact to schedule and the Work. The City will be financially responsible for the purchase of required third party software, as specified in Appendix H, for production and Non-Production servers that will reside on the City's network, for the ChoiceConnect Application Software.
10.	The City can perform quality inspections on all aspects of the Work. The City and Itron will agree on scheduling these inspections to minimize impact to schedule and the Work.

## E. AMR System Deliverable: Project Management Services

### E.1. Project Management Services

#### E.1.1. Description, Strategy and Completion Criteria

Project Management services shall include management of deliverables, resources, scope, risk, financials and overall Project communication.

#### Deliverable Requirements

#	Requirements
1.	Itron will act as the coordinator and facilitator of the deliverables in this Schedule as itemized in Appendix B. Delivery quality and schedule is dependent on all parties meeting task schedules and delivering quality content.
2.	Itron methodologies, tools and templates will be used for the delivery of the Project unless the City and Itron agree otherwise. All deliverables completed by Itron will conform to standards defined and agreed upon by the City and Itron.
3.	Itron will provide the City team members with an electronic copy of a standard set of System Documentation which shall include functional and technical System specifications, System training materials, etc. for the City's use in preparing for and executing the Project.
4.	The City and Itron will agree on a single issue tracking/resolution tool for the entire Project Team.
5.	Itron and the City will schedule Project meetings and periodic quality and risk management reviews. The schedule of meetings will be defined in the project governance document.
6.	Itron will submit a weekly Project status report to the Project Team. At a minimum, a Project status report shall include: (i) the current status of progress of the completion of the Work; (ii) all actual delays; (iii) all anticipated delays; (iv) any failures, or correction of any failures re: previous Work; (v) such other information as the City may reasonably request from time to time and (vi) a current measurement of the System's performance, collectively to measure against the Project Plan..
7.	Modifications or updates to the Deliverables previously accepted by the City and Itron will be handled through the Change Control Process described in the Agreement.

#### E.1.2. Deliverable Tasks (Descriptions and Responsibilities of the Parties)

#	Deliverable Task and/or Description of Task(s)	Itron Responsibility	City Responsibility
1.	<b>Project Team:</b> To establish, assign, and document the resources for the Project Teams. Gain organizational commitment of each resource and each resource's role on the Project Team.	Itron will identify its Itron Project Team resources.	The City will identify its Project Team.
2.	Provide a human resource plan that includes organizational chart and the following: <ul style="list-style-type: none"> <li>Resource plan by responsibility; include quantity of the specific resources. Consider resources identified in section C1 of this document and Endpoint installers, supervisors, quality auditors, data entry clerks, customer service representatives, inventory control resources, and labors;</li> <li>Identify contractors versus employees;</li> </ul>	Primary responsibility	

#	Deliverable Task and/or Description of Task(s)	Itron Responsibility	City Responsibility
	<ul style="list-style-type: none"> <li>What Project phase each resource type will be required.</li> </ul>		
3.	<p><b>Project Finances:</b> To track, manage and communicate the financial status of the Project. The report will be used by the Project Team to trend Project spend. It will compare actual Work against the Agreement and City's Project budget, which is defined in Schedule A.</p>	Itron will provide a financial status for the Project to the City's Project Manager monthly.	
4.	Reconciliation of completed work for invoicing.	Submit completed orders in accordance with Agreement.	
5.	<p><b>Control of Project Scope:</b> To maintain control over the scope of the Project (e.g. nature of the Work) including reviewing any new Work requirements and associated deliverables which were not provided for in the original Agreement, over the period of the Agreement. Assessing the level of effort that may be required of either party to fulfill new requirements.</p> <p>Any or all changes to the Deliverables set forth in the Agreement shall be addressed in accordance with the Change Control process detailed in the Agreement.</p> <p>The Project Managers shall evaluate whether the proposed change is within the contractual scope of the Project.</p>	Itron Project Manager will participate in review and approval of any changes in the scope of the Work	The City Project Manager will participate in review and approval of any changes in the scope of the Work.
6.	<p><b>Project Governance</b>, which includes the following deliverables: :</p> <ul style="list-style-type: none"> <li>Project Framework</li> <li>Team communications</li> <li>Reporting &amp; Project reporting</li> <li>Initial Risk Plan</li> <li>Issues tracking list</li> </ul>	Itron will develop an initial 'draft' of a Project Governance and, facilitate and manage updates to the draft Governance until such time that both parties have approved it as final.	The City will participate in the development of the Project Governance and must approve it
7.	<b>Project 'Kick-off' meeting:</b> To introduce Itron's Solution and Project Team to the City's Project Team. Review and confirm roles and responsibilities for both parties	Itron will schedule and lead the kickoff meeting; provide agenda and prepare the Kickoff presentation.	City team members will participate in the development of the agenda and the kick off meeting.
8.	<b>Project Risk Review meetings:</b> develop, review, approve and maintain a risk matrix or plan.	Itron will facilitate risk review meetings; will also develop, ensure approval and then maintain a risk matrix or plan which will be defined in the Project Governance.	The City will support risk meetings and review and approve the Risk Matrix as required.

#	Deliverable Task and/or Description of Task(s)	Itron Responsibility	City Responsibility
9.	<p><b>Integrated Project Plan</b> – develop a task oriented plan to provision the System; identify the tasks and sequence and the timing of these tasks (the ‘Project Schedules’) as required to provision the System. The Project Plan shall include a process for the plan to be updated to reflect any changes approved through the Change Control process.</p>	<p>Itron will deliver first draft of the Project Plan or Schedule; Itron will also manage the Project Plan or Schedule updating process.</p>	<p>The City will actively participate in the development of the Project Plan or Schedule; City will also have final approval responsibility for the Project Plan or Schedule.</p>
10.	<p><b>Project Status meetings.</b> Project status meetings shall, at minimum, review progress of the Project (e.g. the Project Status Reports) during the preceding month, including, but not limited to, problems that have occurred and could delay the performance of anticipated Work during the upcoming month. Project Status meetings will also review ongoing System performance for Accepted Endpoints.</p>	<p>Schedule and manage weekly Project status meetings through the build and transition of the System and network to an operational state. Support City on operations and performance reporting transitioned meters.</p>	<p>Support weekly Project meetings through build and transition of System and network. Lead discussions on the status of operations and performance for meters transitioned to City</p>
11.	<p><b>Weekly Project Status Reports:</b> Provision of weekly reports showing:</p> <ol style="list-style-type: none"> <li>1. Weekly and cumulative installation numbers in relation to targets.</li> <li>2. QA inspections and results</li> <li>3. Inventory Reconciliation</li> <li>4. Issues log and resolution status</li> <li>5. Field Claims status report</li> <li>6. Installation variance report</li> <li>7. Route saturation status</li> <li>8. Route Acceptance status</li> <li>9. Customer claims log that includes a summary of claims received, claims currently opened and claims closed. In addition, each claim will have a description of the claim, date claim received, date claim closed and the resolution.</li> <li>10. Return to Utility report</li> </ol>	<p>Primary Responsibility</p>	
12.	<p><b>Other Reports:</b> Provision of other agreed to daily, weekly, and monthly reports as defined in Project Governance document.</p>	<p>Primary responsibility</p>	<p>Review, comment, approve as necessary</p>

## F. AMR System Deliverable: ChoiceConnect Application (Software)

### F.1. ChoiceConnect Application Software Deliverable: System Architecture and Design

#### F.1.1. Description, Strategy and Completion Criteria

Itron will facilitate sessions to determine and document the technical architecture of the System; this information will be documented in the Technical Architectural Design document (TAD), which will specify the hardware and software components of the System and identify the data inputs, outputs, formats, and schedules.

Itron and the City will sign off on the TAD before proceeding with design and build of specific components.

At the completion of this deliverable, the City and Itron will have agreed and documented the system architecture and design.

#### F.1.2. Deliverable Requirements

#	Requirements
1.	Itron will be responsible for scheduling design sessions and producing the Technical Architecture Design document (TAD).
2.	The completed TAD will be reviewed by Itron and the City and form the basis for design decisions.
3.	With support and guidance from Itron, City will define backup, business continuity and disaster recovery strategy for the ChoiceConnect Application Software.
4.	Itron to provide a comprehensive data flow diagram for ChoiceConnect Application Software
5.	This will be a hosted implementation of the ChoiceConnect Solution

#### F.1.3. Deliverable Tasks

#	Deliverable Task and/or Description of the Task(s)	Itron Responsibility	City Responsibility
1.	Provide scheduled sessions to discuss technical architecture of the System	Responsible for scheduling sessions	Participate in all sessions
2.	Documentation of software versions to be implemented for the ChoiceConnect Application Software	Identify final versions to support the functionality to complete the Project. Final version shall be compatible with previously approved server order.	Agrees to final application versions to be installed.
3.	Document previously defined and approved server configuration specifications in the TAD.	Itron to document agreed upon specifications.	
4.	Define the Hosted Production environments for ChoiceConnect Application Software	Primary responsibility for the hosted Production system.	Support Itron on installation and configuration of hosted Production system.
5.	Complete TAD document	Itron will write document and sign upon agreement.	Review document and sign upon agreement.
6.	Develop detailed data flow for the ChoiceConnect Application Software	Itron will write document and sign upon agreement.	Review document and sign upon agreement.
7.	Provide standard import and export requirements for the ChoiceConnect Application	Primary responsibility to provide standard import / export requirements.	Participate. City will identify 1) the export requirements from the AMR System so

#	Deliverable Task and/or Description of the Task(s)	Itron Responsibility	City Responsibility
		Schedule and facilitate requirements meeting; provided updated documentation from the meeting.	that data/information can be uploaded into its existing application environment, and 2) its data export capability for any information to be uploaded into the AMR System including Itron's work order system.

## F.2. ChoiceConnect Application Software Deliverable: Application Software (Collection Engine)

### F.2.1. Description, Strategy and Completion Criteria

At the completion of this deliverable, the ChoiceConnect Application Software is installed, tested and ready for operation and integration testing.

### F.2.2. Deliverable Requirements

#	Standard Requirements
1.	The ChoiceConnect Application Software and the associated servers for the production system will be configured at the Itron's data center by Itron;
2.	Itron will provide appropriate floor space and electrical service for the computer equipment.
3.	Itron and the City will mutually agree on security certificates to be implemented and the hardware ports to be made available for the System.
4.	All necessary pre-requisite software will be installed prior to the ChoiceConnect Application Software installation.
5.	All necessary server permissions and system access will be established by the City prior to installation.
6.	Itron shall provide an FTP Site or an alternative with City having read and write access. The FTP site will be used for file sharing purposes.
7.	The City will provide a target Meter location file that corresponds to the meter quantities referenced in this statement of work.
8.	The City will provide a unique location ID for each service point, and the attributes (address, meter setting location when there is more than one meter, etc.) of that location ID.
9.	The City will identify any multiple meter service points.
10.	Interface files between CIS and the ChoiceConnect Application Software will be developed as outlined in Appendix A.
11.	ChoiceConnect Application Software testing and training activities will occur upon completion of at least one collector installation and population of reading data in the ChoiceConnect Application Software database.
12.	The City will develop, test and install the interface files as defined in Appendix A of this Schedule. City will also have maintenance responsibility for the interfaces.

### F.2.3. Deliverable Tasks

#	Deliverable Task(s) and/or Description of the Task (s)	Itron Responsibility	City Responsibility
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#	Deliverable Task(s) and/or Description of the Task (s)	Itron Responsibility	City Responsibility
1.	Complete ChoiceConnect Application Software design and configuration documents	Primary responsibility for the completion of design documents to define data flow and the as built ChoiceConnect Application Software configuration.	Participate in design sessions and review/sign-off on completed document.
2.	Creation of a Collection Engine Device Maintenance File	Itron to support design and test of the device maintenance files.	Responsible for the design, development, testing and management of the device maintenance file interface between CIS and Collection Engine.
3.	Validate format and content of the Collection Engine Device Maintenance File	Primary responsibility for validating these files once received from the City	
4.	Procurement of server hardware and third party software for the ChoiceConnect Application Software as defined in Appendix H (hosted production)	Primary responsibility	
5.	Order ChoiceConnect Application Software	Primary responsibility	
6.	Install servers in the Itron data center	Primary responsibility	
7.	Install and configure ChoiceConnect Application Software on servers.	Primary responsibility	
8.	Perform ChoiceConnect Application Software functional test	Primary responsibility for functional testing	Approve, participate in, and support functional testing.

### F.3. AMR System Deliverable: Network Design

#### F.3.1. Description, Strategy and Completion Criteria

The Itron Project Team will deliver the Network Design for the AMR System. At the completion of this deliverable, the Network Design document will be finalized and provided to the City

#### F.3.2. Deliverable Requirements

#	Requirements
1.	Existing wired connections or GPRS will be used for the Choice Connect solution backhaul. Service agreement for GPRS will be between the City and the GPRS provider; all cost incurred will be the responsibility of the City.
2.	The Itron Project Team will have responsibility to work with partners to implement network equipment.
3.	Itron's Network Design and commitment to performance levels are based on acquiring the facilities documented in propagation study. Itron has priced the Project assuming Collectors and Repeaters will be installed on City owned buildings, facilities or light poles.  With the support of Itron, City will be required to secure access and all necessary permits for the installation of Network Devices on City owned facilities. The City's facility department will have knowledge on the permit requirements.

#	Requirements
4.	<p>In the event City and Itron agree to co-locate a Collector with an existing City SCADA node, Itron agrees to the following:</p> <ul style="list-style-type: none"> <li>• The proposed Collector installation shall ensure that the City's water and/or wastewater RF SCADA network communication system is not affected in any way. This would include but not limited to any transmission interference or disruption in service caused by the Collector installation or operation.</li> <li>• To complete field interference test or other verification requirements to ensure the current level of reliability of the City's SCADA system is maintained. These tests and verification shall be provided to the City for review and acceptance prior to final selection and implementation of the Collector sites. The City shall provide Itron with any technical or operational support that would assist in the AMI Network design and implementation.</li> </ul>
5.	The City will provide a baseline data file of all expected work orders to be completed during the Project. This baseline data file will be utilized by Itron to measure System performance as defined in this document.
6.	Itron will be responsible for removal of existing Water SaveSource collectors.

### F.3.3. Deliverable Tasks

#	Deliverable Task(s) and/or Description of Task (s)	Itron Responsibility	City Responsibility
1.	Create Network Design	Primary responsibility to create Network Design document identifying locations of Network Devices.	Provide whatever information required by Itron to complete Network Design document
2.	Provide Collector and Repeater locations	Primary responsibility to determine Itron Collector and Repeater quantities and locations to meet the agreed upon System performance requirements.	Approve Collector and Repeater sites
3.	Secure agreements and permits for City owned facilities defined in the Project Control Manual.	Provide support as required	Primary responsibility
4.	Provide final Network Design Document, which includes site specific information.	Primary responsibility	Review and sign off responsibility
5.	Create baseline data file of all work orders to be installed during the Project.		Create the data file and provide to Itron.
6.	Post baseline data file to the ChoiceConnect Application. This file will be used to populate the performance management component of the ChoiceConnect Application.	Itron to post file to the ChoiceConnect Application.	
7.	Removal of Water SaveSource CCU's	Primary responsibility	Support as needed.

## F.4. AMR System Deliverable: System Testing

### F.4.1. Description, Strategy and Completion Criteria

To ensure component, System and solution operation, testing will occur throughout the phases of the Project. Note that the efforts required for some testing is included in other deliverables and noted below. At the completion of this deliverable, all testing provided within the scope of this Project has been performed.

### F.4.2. Deliverable Requirements

#	Requirements
1.	Each testing deliverable will have a test plan with test scenarios agreed to by the City and Itron.

### F.4.3. Deliverable Tasks

#	Deliverable Task(s) and/or Description of Deliverable Task(s)	Itron / NewWorld Responsibility	City Responsibility
1.	Review and modify as necessary the <b>Project Test Plan</b> (overview of all tests) and requirements for testing, that includes all test deliverables needed to achieve full contract functionality	Primary Responsibility	Support as defined by the City; review and approve test plan'
2.	ChoiceConnect Application Software functional test; include on-demand reads, tamper flags, basic meter reading functionality, etc.	Primary Responsibility	Support as defined by the City; review and approve test plan and results
3.	Conduct a System Integration Test to validate data flow between the Endpoints, Network Devices, the ChoiceConnect Application Software, and the billing system.	Primary responsibility	Support as defined by City; review and approve test plan and results
4.	Solution (end to end) test, to include a full System test that demonstrates required level of functionality and performance. Itron will provide the initial test plan for consideration by the City's Project Team.	To provide draft detailed solution test plan. Support and review updates to the test plan. Support City during testing as required.	Primary Responsibility for reviewing and modifying test plan. Primary responsibility for performing for testing.

## G. MV-RS Deliverables

### G.1.MV-RS Implementation

#### G.1.1. Description, Strategy and Completion Criteria

Itron will provide software implementation, configuration, handheld setup and support for development of interface files for the MV-RS meter reading system.

#### G.1.2. Deliverable Assumptions

#	Assumption
1.	City will furnish all facilities and related services at the Authority's site that are required by Itron personnel engaged to perform the Services under this SOW.
2.	The City will provide access to PC's and related areas for installation and system configuration. IT administrators will be made available to provide access levels necessary to perform software installation, user rights and permissions required for system operations.
3.	Internet connectivity will be provided in order for Itron and the City to conduct meetings, training and support activities when Itron is not on-site
4.	Itron will provide training to meter reading staff and also linemen who fill in for meter readers.
5.	Itron will plan for on-site kick-off meetings and training and support. Other support and consulting will be provided via phone, email and web conferencing.
6.	The City will provide a point of contact person for Itron implementation work while the project is being deployed.
7.	The City will make available all outside consultants, such as billing system representatives as needed in the configuration, planning and execution of the host interface files (Download and Upload) or other implementation activities.
8.	Itron will provide standard MV-RS documentation and training materials such as User Guides, Host Interface guides for the customer's use during the implementation and training.
9.	No customization of MVRS software is included in this SOW.

#### G.1.3. Deliverable Tasks

#	Task and Description	Itron Responsibility	City Responsibility
1.	Procure server and third party software required for MV-RS	Support by providing server requirements	Primary responsibility
2.	Install, configure and test MV-RS software and hardware, including mobile collector, handhelds and docking devices	Primary responsibility	Provide IT environment and support as required.
3.	Develop and test billing interface files, including: consulting on interface connectivity to MV-RS, MDM and billing system.	Primary responsibility	Participate and Support
4.	Perform MV-RS system and functional tests	Primary responsibility	Participate in test
5.	Day in the Life training – PC Training	Primary Responsibility	Participate and Support
6.	Develop Daily Checklist	Primary Responsibility	Participate and Support
7.	FC200 meter reading operations training - HHC care and maintenance	Primary Responsibility	Participate and Support

#	Task and Description	Itron Responsibility	City Responsibility
8.	Host Download File finalization support and consulting	Primary Responsibility	Participate and Support
9.	Initial host Upload File creation for CIS testing	Primary Responsibility	Participate and Test
10.	Mobile Collector training – route assignment, loading and MC application training.	Primary Responsibility	Participate and Support
11.	Parallel / Test planning and support for MV-RS – customer to develop test plan from their business processes, test reading with meter readers, perform full end-to-end testing of system from endpoints to CIS.	Consult and Support	Primary Responsibility
12.	Roll-out and Go live planning and support	Primary Responsibility	Participate and Support

## I. AMR System Deliverable: Network / Meter / Endpoint Installations

### H.1. Installation Planning for Equipment

#### H.1.1. Description, Strategy and Completion Criteria

Resources, facilities, equipment and processes must be planned for, developed and procured to support the deployment of the Endpoints and other equipment.

At the completion of this deliverable, Itron and the City will be ready to start the deployment process.

#### H.1.2. Deliverable Requirements

#	Requirements
1.	Itron through Itron will provide management oversight and field staff for the installation of Endpoints
2.	The City and Itron will mutually agree on data flow to be used to manage work orders. Consideration must be given to Itron and City installed Endpoints.
3.	Itron will adhere to the City's policy in securing VPN access. Following the approval process, the City will provide secure logins, VPN access and basic user training for basic screens and searches for the Itron call center staff (up to 5 Itron resources) to use the City's Infrastructure System application directly. This will ensure accurate and timely updates to customer information in Itron's database. Access requirements for Itron will be limited to search and view only.  In the event access to the Billing or Infrastructures Systems cannot be made available because of technical or legal reasons, City and Itron will agree on an alternative approach to securing the necessary data to minimize unresolved data exceptions.
4.	Itron will have accountability, operational and financial, for managing and tracking inventory.
5.	Itron will provide Customer Communication notifications and premise materials.
6.	The City will identify blackout periods for deployment areas; Itron will comply with agreed upon blackout schedules

#### H.1.3. Deliverable Tasks

#	Deliverable Task(s) and/or Description of Deliverable Task(s)	Itron Responsibility	City Responsibility
1.	Create Deployment Plan. Order Endpoints in accordance to schedule.	Primary responsibility for creating Deployment Plan using input from City, which will include the product build and delivery schedules. Manage all logistic requirements to deliver to the Deployment Plan.	
2.	Order Collectors, Repeaters and ancillary equipment per the Network Design.	Primary responsibility. Verify equipment configuration and required equipment quantities per the Network Design contract documents	

#	Deliverable Task(s) and/or Description of Deliverable Task(s)	Itron Responsibility	City Responsibility
3.	Procure facility, vehicles, communications and office equipment.	Primary responsibility	City to provide Warehouse facility to house project team.
4.	Finalize agreements with network and Endpoint subcontractor(s)	Primary responsibility	
5.	Order uniforms, tools, and other installation equipment for Endpoint installation technicians	Primary responsibility	
6.	Define, review and finalize installation procedures for Endpoints.	Primary responsibility	To support and have approval responsibility for the delivered procedures
7.	Training of project installers	Itron primary responsibility	

## H.2. Work Order Management

### H.2.1. Description, Strategy and Completion Criteria

Itron's Field Deployment Manager (FDM) will be used for the deployment work order system during the Build, Operate and Transfer phases.

At the completion of this deliverable, FDM will be fully tested and operational. When a work order file is sent from the City's Billing or Infrastructure Systems, work orders will be able to be dispatched to start installations.

### H.2.2. Deliverable Requirements

#	Requirements
1.	Itron will host the servers for their work order tool.
2.	FDM will be used by PMI for Endpoint installation work orders for the duration of the Project.
3.	Interface files between the City's Billing and Infrastructure Systems and FDM will be developed as outlined in Appendix A.
4.	The City will be responsible to execute the interface process to create work orders in accordance with the agreed upon schedule.
5.	FDM exceptions will be initially managed through PMI. Itron will provide the City access to FDM to review data exceptions. City work order exceptions would be managed by the City using agreed to processes defined by the City and reviewed with Itron.
6.	Itron will define the FDM workflow and report requirements.
7.	Itron will provide a list and review standard reports with the City. Custom reports will be outside the scope of the Agreement.
8.	FDM will be configured to support the acquisition of GPS coordinates and digital images. FDM will store GPS coordinates and digital images during the Project with the City having access to this information.
9.	Itron will provide their installers handheld units as defined in the Agreement for the Project

### H.2.3. Deliverable Tasks

	Deliverable Task(s) and/or Description of Deliverable Task(s)	Itron/ PMI Responsibility	City Responsibility
1.	Requirements meeting and create FDM design document.	Primary responsibility.	
2.	Develop install, work orders, translation files and pre/post processing scripts. Work orders will be developed for Endpoints	Primary responsibility.	
3.	Develop test From host file		Primary responsibility to develop, test and manage the CIS FromHost interface.
4.	Install and configure FDM servers. FDM servers will be hosted at Itron Liberty Lake, WA Data Center.	Primary responsibility.	
5.	Define communications and security requirements allowing City to access FDM data	Joint responsibility	Joint responsibility.
6.	Install and configure handhelds and other install equipment.	Primary responsibility	
7.	Perform FDM test FromHost file with work orders. Send completed work order file to the City	Primary responsibility	Provide support to Itron
8.	City and Itron will define IT controls required to successfully manage the System implementation during the Project design phase. IT Controls include the following: <ul style="list-style-type: none"> <li>• Work Order Data received and disposition (posted, exceptions)</li> <li>• Billing and/or Infrastructure Systems exceptions pending action</li> <li>• Endpoint inventory records received and disposition (posted / exception)</li> <li>• RF reads received and disposition (billed / exception)</li> <li>• Route saturation report</li> </ul>	Shared responsibility to define controls; support implementation of controls.	Shared responsibility to define controls; primary responsibility to implement controls.
9.	Administrator, Manager, Dispatcher and Field Service Representative (FSR) training – see training section	Primary responsibility	
10.	Maintain and operate FDM through the Build and Transition phase of the Project.	Primary responsibility	

### H.3. ChoiceConnect Collector and Repeater Installations

#### H.3.1. Description, Strategy and Completion Criteria

Install Itron network infrastructure as defined in the Network Design documents after Endpoint deployment. At the completion of this deliverable, the network infrastructure will be installed and ready to manage Endpoint readings.

### H.3.2. Deliverable Requirements

#	Requirements
1.	The City will provide access to infrastructure owned by the City to install Network Devices. Where not available Itron, utilizing agreements with third party providers, will install Equipment on locations not owned by the City to provide the agreed to network coverage.
2.	The City will review Itron recommended site locations and provide non-technical feedback on the feasibility of using the site.
3.	Itron working in conjunction with City will ensure Collectors are located at sites that are capable of receiving proper backhaul communications with the fixed network head end.
4.	Itron will provide City with the training required to ICS collectors during the build phase of the Project.
5.	The City is responsible for all Network Device maintenance post acceptance except as defined in the Agreement. Prior to acceptance, Itron will be responsible for diagnosing whether a communications failure between ChoiceConnect Application Software and the network is caused by a Network Device, the backhaul or Endpoint problem.
6.	When support from the City is required for a Collector or Repeater location site visit, City and Itron will mutually agree on the time and date. City and Itron agree to schedule the appointment timely to ensure there is no impact to schedule.

### H.3.3. Deliverable Tasks

	Deliverable Task (s) and/or Description of Deliverable Task(s)	Itron Responsibility	City Responsibility
1.	Process site data and verify location sites	Primary responsibility	
2.	Perform site survey on initial target areas to confirm site compatibility	Primary responsibility	
3.	Procure backhaul services for a premise installed AMR System.	Support City in securing preferred backhaul.	Primary responsibility; City will own backhaul agreement and cost; Itron will support agreement process.
4.	Update Network Device deployment plan to include site locations and schedule. With the exception of the Network Devices identified as mitigation devices, all Network Devices will be installed and transitioned in the first twelve months of the projects.	Primary responsibility; provide Deployment Plan with site locations and schedule; Network Device deployment schedule will be aligned with Endpoint deployment schedule.	Review and approve schedule. City will propose the initial sequence for Network Device installations.
5.	Receive Network Devices and ancillary equipment per the network design and Project schedule	Primary responsibility	Support as required.
6.	Complete Collector configuration	Perform the Initial Configuration Set-up (ICS) during deploy phase. Provide ICS training to City as defined in this Schedule.	City to own process after Collector Acceptance.
7.	Provide labor to install Network Devices. Installation related activities will be performed according to Itron approved policies and procedures as defined in the Itron Collector and Repeater, Hardware Installation Guide.	Will provide properly trained installers to install necessary Network Devices per the Network Design.	

	<b>Deliverable Task (s) and/or Description of Deliverable Task(s)</b>	<b>Itron Responsibility</b>	<b>City Responsibility</b>
8.	Provide training materials and installation guides to the City and Itron subcontractors prior to training; provide operations and maintenance training documentation to City.	Provide materials and guides	
9.	Complete Network Device installation training	Train installation team on proper installation procedures	Participate in training.
10.	Management of Network Device deployment activities and field quality audits	Manage the deployment of all Network Device deployment activities including quality audits	
11.	Install Collector and Repeaters per the Network Design and site installation drawings	Install Network Devices and equipment	Will support install efforts
12.	Verify connectivity between Collection Engine and network infrastructure and resolve any communications issues	Primary responsibility for verification activities	Will support verification activities, will participate as an active observer and trainee.
13.	Network Device siting and performance optimization	Will perform an on-site analysis to verify coverage will meet performance commitments defined in Section E of the Statement of Work.  Install mitigation Network Devices as required.	
14.	Perform Quality audits	Will perform Collector and Repeater quality audits per Itron Installation quality program	
15.	Network Device installation Progress reports will be distributed weekly	Create weekly progress report and provide to City Project Manager	Review and comment as required.
16.	Defective equipment will be returned to Itron upon identification and removal	Issue an RMA number and remove and return Network Devices for failure analysis if failure occur pre acceptance.  Provide training to City on troubleshooting Network Devices.	Itron will issue a RMA number and The City will remove and return Network Devices for failure analysis if failure occur post acceptance of the AMR System. Post acceptance, with Itron's technical support, the City will make the determination if the Network Devices needs to be replacement.
17.	Provide pre-built construction documentation	Create and provide to the City	Will receive, review and approve.

## H.4.AMR System Deliverable: Endpoint Installations

### H.4.1. Description, Strategy and Completion Criteria

At the completion of this deliverable, all Endpoints work orders will be completed and System Acceptance initiated.

### H.4.2. Deliverable Requirements

#	Requirements
1.	Itron will conduct installation by meter reading route. Routes will be based upon existing meter reading route structure and are in geographic proximity and logistics. Itron and the City will build deployment schedule.
2.	Itron will conduct installation in accordance with the City's specified routes or group of routes. Designated sequence of routes or groups of routes will consider geographic proximity from one to the next and afford an ample supply of pending service orders.
3.	Itron will review weekly with City the targeted geographic areas planned for upcoming weeks ). Itron will work closely with City Project Manager to ensure that City receives updates as to the progress of the installation schedule.
4.	Itron/ PMI will attempt to complete the majority of the Endpoint installations during normal work hours consisting of Monday – Friday 8:00 am to sunset and Saturday from 8:00 am to sunset. Where necessary Itron will work additional hours. Sufficient staff will be available to meet customer appointment schedule outside normal work hours including Saturday.
5.	Work shall not take place on statutory City holidays except by mutual agreement between Itron and the city customer.
6.	Itron will provide a daily installation upload file that will be put to the FTP site or other agreed upon location two days following the completion of the work orders. This file will be processed through FDM to ensure all exceptions are addressed before the file is delivered to the City.
7.	Itron will resolve work order data exceptions identified through FDM or by the City in a timely and efficient manner. Work order exceptions will be cleared within two business days unless in conflict with blackout window. Examples of exceptions are: Duplicate Meter Module or meter numbers, Meter manufacturer exceptions, Meter number mismatches, Meter size exceptions, Meter multiplier, High-Low exceptions, Dial mismatch, Meters found in field but not in work order file, Meter location exceptions. The exception process will be managed through FDM.
8.	Itron will use the electronic files provided by the City to feed FDM. Itron will maintain installation records electronically in the work order system.
9.	Itron/PMI's installer's will be fully trained in the installation of Endpoints. The City reserves the right to require Itron/PMI to retrain, reassign, or remove from the Project any employee or subcontractor who fails to perform workmanlike and competent work. In addition, all installation employees are required to comply with the local codes of the jurisdiction where the work is taking place.
10.	Itron/PMI will subject all employees to a background checks and will be responsible to review all background checks and prevent any such employee from working on the City projects.
11.	Itron / Itron will employ a stringent quality program, including 100% follow-up quality audit attempts for new employees during their probation period (two-week period after hiring) and 5% subsequent audit percentage after an employee completes his/her probation period.
12.	Field personnel shall wear easily recognizable uniforms identifying Itron's contractor.
13.	No Itron installer shall enter a residence without the permission of the owner, tenant or authorized representative. Additionally, no City installer shall enter a residence without an adult present (18 years or older)
14.	Itron will supply the following components and aspects of installation: overall project management; training and direct supervision of installers; appointment scheduling; problem solving and complaint handling; and inspection, testing, and quality control.
15.	Itron / PMI shall be responsible for all vehicles it uses on the Project. Any employee of Itron or its subcontractors who drives a vehicle in connection with this Project must have a valid driver's license for the class of vehicle being driven, and must be insured as set forth in the Agreement.

#	Requirements
16.	Itron /PMI shall deploy vehicles to minimize parking problems and avoid blocking any streets. Itron is required to follow all parking laws and is responsible for all parking violations.
17.	Itron / PMI shall maintain an insured, staffed office and warehouse within the City's service territory.
18.	In the event of a vacant property or an installer safety issue is identified by an Itron field installer, Itron will validate the property is vacant or unsafe before returning the work order to the utility. Itron's PMI, and City installers, auditors and supervisory personnel shall be equipped with cell phones so that problems or questions can be addressed immediately and the Itron Project Manager can be contacted immediately if needed.
19.	Before Itron / Itron can complete a Work Order as a return to utility (RTU), it must be approved as an acceptable RTU by an Itron field supervisor or designee and City Project Manager. If a work order is returned to the City because Itron met its access attempt requirements, the City will have 10 business days to schedule an appointment and return the work order to Itron for completion.
20.	Where appropriate, Itron / Itron will make three different types of attempts in the event that a meter is blocked before we forward the job back to City. All attempts will be recorded in the electronic work order system. Itron shall be responsible to complete the installation if the City secures an appointment within 10 days of receiving written or electronic notice from Itron.
21.	Electronic work order record provided by the City through Billing and/or Infrastructure Systems to FDM will include, at a minimum, the customer's address, premises identification number, customer phone number (if available), meter location, meter access notes, designation of replacement or retrofit, existing meter number, existing register number, meter make, model and size, and most recent meter reading, location information.
22.	For each meter installed in an outdoor vault, Itron / Itron shall capture GPS coordinates. For each meter located inside a building, the Installer will attempt to capture GPS coordinates at the location of the Endpoint or will manually enter the descriptive location of Endpoint if GPS coordinates are not available. The FDM work order will be updated with the Endpoint location information
23.	Digital images will be taken on all completed installations in which a data exception or inside installations occurred. The photographs will have an accurate date and time stamp and be stored as a data element of the work order. The City will have access to the digital images.
24.	Before and after digital photographs will be taken at problematic installations to provide documentation of pre-existing site conditions. The images will have an accurate date and time stamp and be stored as a data element of the work order. Access to these digital images will be available to the City.
25.	Field validation rules against old meter readings will be used during the installation process. Old readings falling outside the high / low parameters will require reentry by the installer. Additionally, a digital image will be captured for completed work orders failing validation. In all cases, Itron will record the number of dials and the found reading on the work order.
26.	Endpoints located in pits will utilize RF friendly lids or through-the-lid antennas to enhance read performance as needed. Itron and the City will jointly address installation method for all pit meters in which the through the lid antenna or RF friendly lid is not practical. reentry by the installer. Additionally, a digital image will be captured for completed work orders failing validation. In all cases, Itron will record the number of dials and the found reading on the work order.
27.	Itron/PMI installer will be responsible for removing any reasonable amount of dirt needed to access a meter in a meter vault.
28.	Completed work orders in which access to the meter is required, shall include the following: meter size and meter type, verification or correction of existing meter information, meter serial number, reading on meter, premise address information, Endpoint ID number, reading on new meter register, date and time of installation, name or employee number of installer, and notation of any problems encountered or repairs made.
29.	Field collected data is reconciled every day with Itron providing a daily report to the City. Itron will ensure data sent to the City is accurate. New equipment will include bar codes for the Endpoint. Data reconciliation activities involve: <ul style="list-style-type: none"> <li>&gt; Verifying field collected old meter data matches data From the City database (this validation is also done in the field)</li> <li>&gt; Reviewing previous meter readings with current meter reading (this validation is also done in the field)</li> </ul>

#	Requirements
	<ul style="list-style-type: none"> <li>&gt; Reviewing GPS coordinates as mapped versus routes worked that day</li> <li>&gt; Sorting and reviewing all new Equipment serial numbers looking for missed scans or duplicate scans</li> <li>&gt; Comparing meter size recorded in field to meter size in the master database (this validation is also done in the field)</li> <li>&gt; Comparing field collected serial numbers for Endpoints to Endpoint data file files provided by Itron. Note, Itron will provide the definition of the Endpoint data file during the design phase of the Project.</li> </ul> <p>During the reconciliation process, any accounts that contain discrepancies will be placed in an "exceptions" file. These accounts will not be transferred with the normal data upload file. The "exception" file will be further reviewed by Itron using the digital photographs and may involve further field investigation. These accounts will only be uploaded following verification of the accuracy of the account data.</p>
30.	Itron or its subcontractors will not request or accept from any City customer any monetary or other compensation for any Work performed.
31.	Itron or its contractors will not solicit business from or perform work for the City's water customers while engaged on any contract associated with this Project.
32.	Itron / PMI will process a work order as "can't complete" if there is no residence over the age of 18 in the home during the installation attempt. Further, if the customer is over 18 and refuses the installer access, the work order will be coded as "can't complete, refused". In both cases, the call center will attempt to schedule appointments with the customer.

#### H.4.3. Deliverable Tasks

	Deliverable Task (s) and/or Description of Deliverable Task(s)	Itron / Itron Responsibility	City Responsibility
1.	Product Ordering	Primary Responsibility; deliver the products in accordance to Deployment Plan	Issue purchase order for products
2.	Test integration points between Itron and the City's systems	Primary Responsibility	Support testing effort
3.	Provide an overview of the installation and scheduling process	Primary Responsibility	Approval responsibility
4.	Provide agreed to daily, weekly, and monthly reports	Primary responsibility	Review, comment, approve as necessary
5.	<p>Itron / PMI are responsible to manage the field deployment of AMR Project.</p> <ul style="list-style-type: none"> <li>▪ Manage field deployment activities</li> <li>▪ Manage field deployment quality and quality audits</li> <li>▪ Manage Endpoint inventory control process</li> <li>▪ Manage work order scheduling, completion and Work Order Data integrity</li> <li>▪ Manage customer claims administration</li> <li>▪ Manage installer hiring, training and safety program</li> </ul>	Primary Responsibility	Release work in accordance to installation schedule.

	<b>Deliverable Task (s) and/or Description of Deliverable Task(s)</b>	<b>Itron / Itron Responsibility</b>	<b>City Responsibility</b>
6.	Turlock will provide Project Facilities with adequate parking that are centrally located within the meter deployment areas as required to support the Endpoint deployment. Facilities to include space for: Administration, Inventory storage and parking.		Primary Responsibility
7.	Itron /PMI will provide vehicles to support the Project. Vehicles will be marked with magnetic signage with wording being mutually agreeable to the City and Itron.	Primary Responsibility	
8.	Itron/PMI will provide the necessary personnel to meet the Endpoint installation commitments for Itron.	Itron to manage installation staff	
9.	Field deployment personnel are subject to police record check to determine employee eligibility. The background check will include: <ul style="list-style-type: none"> <li>▪ Check for any criminal activity in any state of residence.</li> <li>▪ Check for any criminal activity.</li> <li>▪ Check for any state criminal activity.</li> <li>▪ Check to verify a valid driver's license if operating a motor vehicle while performing the Field Services.</li> </ul> <p>In cases where the results from the background check are of some concern to Itron or the Contractor, the City and Itron will review the case to determine the appropriate course of action. Names will not be shared during the review process; only specifics related to the case.</p>	Support as needed	
10.	Itron /PMI will train and qualify the field deployment personnel based on the job requirements for each employee. A combination of classroom training, written testing and practical performance testing shall be used. Field deployment work shall be completed in compliance with all applicable standards.	Primary Responsibility	City will communicate safety standards to PMI
11.	The City, Itron, and PMI shall work together to identify, document, and implement the City's or other pertinent local regulatory specific training and safety procedures, as mutually agreed. The City is encouraged to participate in the training sessions and conduct audits of the work.	Primary responsibility to identify local regulatory training; responsible for learning local regulatory and safety procedures	Support Itron in identifying regulatory requirements.
12.	Itron / PMI will provide a customer contact point person to handle customer inquiries regarding field deployments.	Primary Responsibility.	

	<b>Deliverable Task (s) and/or Description of Deliverable Task(s)</b>	<b>Itron / Itron Responsibility</b>	<b>City Responsibility</b>
13.	Itron/ PMI will implement an asset management program to control consigned materials and supplies. All major materials, i.e., Endpoints and seals will be accounted for weekly. A signed record of receipt or release is required for any major material component transfer. Endpoints that are installed in the field will be tracked via the work order system. Smaller materials and supplies will be accounted for weekly via a general lot count. Itron shall provide an asset management and inventory control report as part of its weekly reporting.	Primary Responsibility	
14.	Itron / PMI will utilize FDM work order system for field deployment work order scheduling, processing, and reporting. Itron / PMI will provide a customer contact point person to handle customer inquiries regarding field deployments.	Primary Responsibility	
15.	The City will provide Itron / PMI with a communication connection to the City's CIS system. The connection will be used to provide read access to CIS information.		Primary Responsibility
16.	Itron / PMI to request work order data to meet the schedule needs. Itron / PMI will utilize FDM work order system for field deployment work order scheduling, processing, and reporting.	Primary Responsibility	
17.	Itron / PMI will implement Deployment Plan to meet project goals. It is of the utmost importance that the development of the schedule and plan are synchronized with the following: <ul style="list-style-type: none"> <li>▪ Meter Reading deployment goals and schedules</li> </ul>	Primary Responsibility	
18.	The City will review, modify and approve (as necessary) field deployment schedule submitted by Itron. City will refresh uncompleted work orders previously provided to Itron on a weekly basis.	Update PMI WO with updates.	Primary Responsibility
19.	Itron /PMI will staff for installations during established work hours. Normal installation work hours are defined above. As required, but with prior approval from the City, Itron will schedule installations for off-hours. Off-hours are defined as hours outside normal hours. Itron is responsible for any additional cost for off hours work. Itron / PMI will implement Deployment Plan to meet project goals. It is of the utmost importance that the development of the schedule and plan are synchronized with the following: <ul style="list-style-type: none"> <li>▪ Meter Reading deployment goals and schedules</li> </ul>	Primary Responsibility	

	<b>Deliverable Task (s) and/or Description of Deliverable Task(s)</b>	<b>Itron / Itron Responsibility</b>	<b>City Responsibility</b>
20.	The City, Itron and PMI will mutually agree on the procedures for Endpoints installations that cannot be completed in accordance with the agreed upon procedures. The City will review, modify and approve (as necessary) field deployment schedule submitted by Itron.	Mutual responsibility	Mutual Responsibility
21.	Itron/PMI installer to install Endpoint in accordance with the procedures defined herein or with the agreed upon procedures. Itron /PMI will staff for installations during established work hours. Normal installation work hours are defined above. As required, but with prior approval from the City, Itron will schedule installations for off-hours. Off-hours are defined as hours outside normal hours. Itron is responsible for any additional cost for off hours work.	Primary Responsibility	
22.	PMI shall not install hardware where safe and reliable operation cannot be assured. Upon discovering an occurrence where a safe and reliable installation cannot be assured, Itron shall contact the City to report condition and update the work order accordingly. The City, Itron and PMI will mutually agree on the procedures for Endpoints installations that cannot be completed in accordance with the agreed upon procedures.	Notify City of found condition and update work order. Mutual responsibility	Primary Responsibility to address condition with the customer.
23.	When available, special notes about safety and special installation situations will be provided to Itron in the download file. If safe access cannot be provided for Endpoint installation, Itron may return orders in accordance with the RTU process, to the City via FDM. Itron/PMI installer to install Endpoint in accordance with the procedures defined herein or with the agreed upon procedures.	Complete the installation if the City secures an appointment and safe and reliable operation can be assured within 10 days of receiving written or electronic notice from Itron. Primary Responsibility	Primary Responsibility
24.	Itron / PMI to create an upload file that includes completed work order data in the agreed upon format. Work orders with data exceptions will be uploaded by 10:00AM the next morning. Work orders with exceptions will have the exception addressed and the data uploaded within 48 hours.	Primary Responsibility	
25.	The City will confirm receipt of the upload data file and post to CIS. The City will validate the completion data in each file and notify Itron of any exceptions		Primary Responsibility
26.	The City and Itron shall jointly work to resolve Work Order Data exceptions in a timely and efficient manner. The City will notify Itron of completed work orders received daily to the Billing and/or Infrastructure Systems. Totals will be segregated by work orders posting directing to the Billing and/or Infrastructure Systems and work orders creating an exception.	Itron will support the City's effort to resolve issues	Primary Responsibility

	<b>Deliverable Task (s) and/or Description of Deliverable Task(s)</b>	<b>Itron / Itron Responsibility</b>	<b>City Responsibility</b>
27.	Itron / PMI will address all customer complaints and claims pertaining to work performed by Itron. Itron will document each customer complaint and notify the City Project Manager, as mutually agreed. The City Project Manager will provide assistance to Itron for claims that cannot be resolved.	Primary Responsibility	
28.	Itron /PMI will report theft of service issues and water leaks to the appropriate the City department. The City and Itron shall jointly work to resolve Work Order Data exceptions in a timely and efficient manner.	Itron will support the City's effort to resolve issues	Primary Responsibility

## H.5.ChoiceConnect Deliverable: Training

### H.5.1. Description, Strategy and Completion Criteria

Training will be performed throughout the Project to ensure that users have appropriate knowledge to install and operate the System. Note that some training efforts are included in other deliverables and noted below.

### H.5.2. Deliverable Requirements

#	Requirements
1.	Unless otherwise agreed to by the City and Itron, all training will take place at a City facility. A minimum of thirty days prior to training, Itron will provide training facility requirements to the City so the appropriate preparations can be made. Training class size will be between 8 and 12. The City will make appropriate staff and facilities available for training.
2.	Itron to provide training to City staff and external parties identified by the City at the following times: <ul style="list-style-type: none"> <li>• Project Kickoff meeting</li> <li>• During installation of Collection Engine, Data Repository, Collectors and Endpoints</li> <li>• After system (Collection Engine and Data Repository) is installed and accepted.</li> <li>• After Network Devices are installed</li> </ul>
3.	Use of the City data will be used in training when available.
4.	City and Itron will mutually agree on training schedule; consideration will be given to the Itron staffing plan defined herein.
5.	A minimum of two weeks prior to a training session, Itron to provide a detailed outline of each training session that includes both the objective of the course and identifies the target training audience (e.g. installers, billing, supervisors, etc...)
6.	Itron will provide standard documentation and training aids electronically and in English to support of training activities.
7.	Additional training, either in a City facility or remotely, is available through Itron on a time and material basis.
8.	Itron to provide experienced and trained instructors focused on delivering training as scheduled to the City.
9.	Itron shall train City computer support personnel on the software for software administration, backup, data schema, report creation and other features and procedures required for support of the software.
10.	Operator training to include: <ul style="list-style-type: none"> <li>• Confirm Network Device connectivity to Collection Engine</li> <li>• Perform daily operations</li> <li>• Setup billing properties</li> </ul>

#	Requirements
	<ul style="list-style-type: none"> <li>• Manage routes</li> <li>• Recognize exceptions</li> <li>• Roll back a software update group</li> <li>• Remove software version from database</li> <li>• Managing Network Device groups</li> <li>• Setup communication parameters</li> <li>• Change Endpoint type exclusion list</li> <li>• Setup Call-In Parameters</li> <li>• Monitoring System health</li> <li>• View Collector information</li> <li>• View Endpoint data</li> <li>• System automation</li> </ul>
11.	<p>Monitor System Health, Network Devices training to include:</p> <ul style="list-style-type: none"> <li>• How the System is operating</li> <li>• Alarms</li> <li>• Event Logs</li> <li>• % of Endpoints Read</li> <li>• How to tell if Endpoints are not reporting reads</li> <li>• % of Network Devices reporting reads <ul style="list-style-type: none"> <li>◦ How to tell which Collectors or Repeaters are failing</li> </ul> </li> <li>• Leak Detection</li> <li>• Exception reports</li> <li>• Creating Export Files <ul style="list-style-type: none"> <li>◦ Daily Reads Export</li> <li>◦ Configure Interval Data Export</li> <li>◦ Tamper Export File</li> </ul> </li> <li>• Route Management</li> </ul>
12.	<p>FC200SR training to include:</p> <ul style="list-style-type: none"> <li>• Field configuration of Endpoint using FC200SR</li> </ul>
13.	<p>Collector and Repeater training to include:</p> <ul style="list-style-type: none"> <li>• Replacing Collectors and Repeaters</li> <li>• Collector installation including ICS</li> <li>• Mounting &amp; Antenna</li> <li>• Power options</li> <li>• Installation procedure</li> <li>• What info to gather</li> </ul>
14.	<p>ChoiceConnect Application Software - Data Repository (DR) training to include:</p> <ul style="list-style-type: none"> <li>• Business operations training</li> <li>• Importing routes</li> <li>• Viewing route status</li> <li>• Retrieving daily reads</li> <li>• Creating host upload file</li> </ul>
15.	<p>Viewing Read &amp; Tamper Data</p>
16.	<p>Review of System reports to include:</p> <ul style="list-style-type: none"> <li>• Collector and Repeater communications report</li> <li>• Network Device outages report</li> </ul>

#	Requirements
	<ul style="list-style-type: none"> <li>Endpoint communications report</li> <li>Hands-on System Administration Training</li> <li>Product User Training for End Users (i.e., Operations, Sales and Marketing Team rollout, after customer configuration). We typically employ a train-the-trainer approach.</li> </ul>

### H.5.3. Deliverable Tasks

#	Deliverable Task (s) and/or Description of Deliverable Task(s)	Itron / Itron Responsibility	City Responsibility
1.	AMR System operation and maintenance training (IT specific; security, database, backup, etc.)	Primary responsibility to schedule and conduct training.	The City to provide facility and participate in this training
2.	Mobile Collector training	Primary responsibility to schedule and conduct training.	The City to provide facility and participate in this training
3.	Endpoint Programmer training	Primary responsibility to schedule and conduct training.	The City to provide facility and participate in this training
4.	Network Device installation, configuration, troubleshooting and maintenance training	Primary responsibility to schedule and conduct training.	The City to provide facility and participate in this training
5.	ChoiceConnect Collection Engine and Data Repository functional training including: <ul style="list-style-type: none"> <li>Performance monitoring and statistics</li> <li>Scheduling of jobs</li> <li>Network statistics</li> <li>Endpoint and Network Device maintenance</li> <li>Application and System maintenance</li> </ul> Water ChoiceConnect expansion procedures	Primary responsibility to schedule and conduct training.	The City to provide facility and participate in this training
6.	Network monitoring and System performance training	Primary responsibility to schedule and conduct training.	The City to provide facility and participate in this training

**I. AMR System Deliverables: Endpoint Acceptance and System Acceptance**

**I.1. Endpoint and System Acceptance**

This section defines endpoint and system acceptance.

#	Requirements
1.	<b>Pilot System Acceptance</b> as defined in <u>Appendix G</u> of this Schedule.
2.	<p><b>Endpoint Installation Acceptance</b> – each installation will be accepted by City after validating the following:</p> <p>Electronic submission of completed work order that includes the premise identification number, address, meter serial number, meter reading, Endpoint serial number, location of meter and Endpoint, installer's name, inspector's name, and all other information relevant to the installation; and;</p> <p>Successful capture of the register read during mobile route reading for route acceptance.</p>
3.	<p>Final System Acceptance preparation process includes the following:</p> <ul style="list-style-type: none"> <li>• City and Itron agree on Final System Acceptance start date</li> <li>• Endpoint baseline to be included in Final System Acceptance defined</li> <li>• Updated device maintenance file provided by City</li> <li>• Unavailable Endpoints tagged on tool for exclusion</li> <li>• Itron produces unavailable Endpoint review</li> <li>• City reviews and approves unavailable Endpoints</li> <li>• Performance monitoring begins</li> <li>• Itron produces daily reports to track performance</li> <li>• Daily meetings conducted to review status</li> <li>• After 30 days, final report produced</li> </ul>
4.	<p>Final System Acceptance occurs after work orders are complete and all Endpoints are accepted. Final System Acceptance process is defined above with acceptance achieved as defined in <u>Appendix E</u> herein – Read Performance Measurement. The following are the performance test to be measured:</p> <p>Billing Read Performance</p> <p>Daily Read Performance</p>
5.	<p>Should Final System Acceptance test fail, the following cure process will be followed:</p> <ul style="list-style-type: none"> <li>• City notifies Itron in writing of performance gap (System Acceptance Deficiency Notification);</li> <li>• Itron provides resources to identify cause with City providing (a) Remote access to system; and (b) Field data on City completed and pending field investigations (affected endpoints and network devices)</li> <li>• Itron to identify cause and provide City with resolution strategy within forty-five days (45) of System Acceptance Deficiency Notification notice</li> </ul>

#	Requirements
	<ul style="list-style-type: none"> <li>Itron allocates the appropriate level of on-site resources to complete the necessary activities to meet performance requirements timely, but no later than ninety (90) days from notice assuming all activities associated with the fix is within Itron's control.</li> <li>Final System Acceptance testing is again initiated</li> </ul>

### I.1.1. Deliverable Tasks

#	Task and Description	Itron Responsibility	City Responsibility
1.	Notify City all work orders are complete and accepted as defined herein (Installation Acceptance)	Primary Responsibility	Support
2.	Submit System Acceptance schedule defining start and stop dates	Primary Responsibility	Supporting and Approval Responsibility
3.	Performance monitoring is initiated using the Network Application System as the monitoring vehicle	Primary responsibility	Support and approval responsibility
4.	Produce daily performance reports on the three (3) measurements shown above.	Primary Responsibility	Review and comment
5.	Generate System Acceptance form	Create form and approve	Comment and approve as necessary

## Deliverable: System Operations

### J.1. Description, Strategy and Completion Criteria

Upon ChoiceConnect Application Software transition and Endpoint acceptance, the City will commence monitoring the System and performing maintenance activities as required.

This is an ongoing effort during and after the Build phase.

#### J.1.1. Deliverable Requirements

#	Requirements
1.	The City will provide Itron an administrator account on all Water ChoiceConnect Application Software servers for remote Itron access. This will include VPN (or equivalent) access to the System as agreed between the City and Itron.
2.	City will have responsibility to ICS Collectors after Collector Acceptance.
3.	Itron and City will mutually agree to remote System access process to be used after System Acceptance. Process will be shared with Customer Support during transition meeting.
4.	<p>Itron and the City will develop an operation and maintenance document required to optimize performance of the System. The City will be responsible to utilize the processes defined to operate and maintain the System. The City will also be responsible to maintain the operations and maintenance document after Project is closed.</p> <p>The operation and maintenance document will include:</p> <ul style="list-style-type: none"> <li>Process to investigate &amp; resolve non-responding Endpoints timely</li> <li>Address Endpoint and network alarms timely</li> <li>Approved installation process</li> <li>Policy to address vandalism</li> <li>Manage System's IT environment</li> <li>Process to address environmental or structural issues impacting performance</li> </ul>

#### J.1.2. Deliverable Tasks

#	Task and Description	Itron Responsibility	City Responsibility
1.	Post – Acceptance Performance Reporting of Endpoints and routes	Provide City training on using network reports to identify non-responding Endpoints.	Primary responsibility
2.	System maintenance and updates: ChoiceConnect Application Software updates as required	Provide updates via warranty and maintenance service agreements.	Primary responsibility after Endpoint acceptance
3.	Investigation of non-responding and poorly performing Endpoints	Primary responsibility prior to Endpoint acceptance; support after Endpoint	Primary responsibility after Endpoint acceptance.

#	Task and Description	Itron Responsibility	City Responsibility
		acceptance.	
4.	Investigation of network performance issues	Primary responsibility pre acceptance, Support after acceptance.	Primary responsibility after Endpoint acceptance
5.	Normal meter maintenance		Perform normal meter maintenance activities such as module or meter exchanges due to vandalism and customer status changes

## 1.0 Deliverable Schedule

### **K.1. Installation Services Schedule**

A detailed Project plan will be developed in conjunction with the City. Appendix B provides a summary of the Project deliverables and due dates.

## L.1. Project Closeout

### L.1. AMR Solution Deliverable: Project Transfer and Close

#### L.1.1. Description, Strategy and Completion Criteria

To provide a smooth transition and Project close, Itron and the City will perform closeout activities when the installation (Build Phase) is complete

This deliverable will be completed when operations have transferred to the City and the Project is closed.

#### L.1.2. Deliverable Requirements

#	Requirements
1.	The City will provide facilities and staff for transfer training and other efforts.
2.	City and Itron review City's ability to manage and support the System by reviewing staff and processes being used by the City.

#### L.1.3. Deliverable Tasks

	Task and Description	Itron Responsibility	City Responsibility
1.	Review City's readiness and knowledge to assume System ownership. Consider the following: <ul style="list-style-type: none"> <li>• Business case expectations</li> <li>• Operations and maintenance procedures</li> <li>• Tools &amp; systems</li> <li>• Knowledge and experience of staff</li> </ul>	Support	Primary responsibility
2.	Inventory reconciliation	Primary responsibility	Support as required
3.	Return or transfer of inventory and installation materials	Shared Responsibility	Shared Responsibility
4.	Release of Project facility and resources	Primary responsibility	
5.	Final Project billing	Primary responsibility	The City will participate
6.	Transition to Support Plan Initiated (meeting scheduled with Itron Support Services to discuss designed solution and support plans).	Primary responsibility	The City will review
7.	Transition to Support Plan Completed and Transition meeting conducted.	Primary responsibility	The City will attend
8.	Project Final Report (directory of all deliverables) Completed	Primary responsibility	The City will review & sign-off
9.	Sign-off on Contract Completion Sign-off document	Itron will prepare the document and submit for review/sign-off.	The City will review document and sign upon agreement.

**17 Signature Page**

City of Turlock agrees to these terms and accepts the terms as described in this SOW.

<b>City of Turlock, CA</b>	<b>Itron, Inc.</b>
<b>Authorized Signature</b>	<b>Authorized Signature</b>
<b>Printed Name</b>	<b>Printed Name</b>
<b>Title</b>	<b>Title</b>
<b>Date</b>	<b>Date</b>

SOW Author: Cait Eyre

Please return this signed SOW to:

Itron, Inc.

2111 N. Molter Rd.

Liberty Lake, WA 99019

Attn: Contract Administration

Fax: (509) 891-3331 or pdf and email to [contract.request@itron.com](mailto:contract.request@itron.com). -- A fully executed version will be returned.

## 1.1 Change Control Process

The change control process is defined in the Agreement.

**N.1.Change Request Form**

Need:  <input type="checkbox"/> Urgent  <input type="checkbox"/> Essential  <input type="checkbox"/> Desirable	Change Request Description:  <hr/> <hr/> <hr/> <hr/> <hr/> <hr/>	
Justification for Change:  <hr/> <hr/> <hr/> <hr/> <hr/> <hr/>		
Change Requested By:  <hr/>		
Name and Title	Signature	Date
Impact Summary:  <hr/> <hr/> <hr/> <hr/> <hr/> <hr/>		
Impact to Schedule:  <hr/>	Impact to Resources:  \$  <hr/>	Requester informed of Impact Project Manager  Date:  <hr/>
Iron Project Manager:  <hr/>		Approval:  <hr/>
City Project Manager:  <hr/>		Date:  <hr/>
Project Manager:  <hr/>		



**Order Processing:**

PO/Contract #: \_\_\_\_\_

Comments: \_\_\_\_\_

**Software Changes:**

Modifications       Meter Licenses       Other

<i>Description</i>	<i>Unit Price</i>

**Implementation Labor and Expense:**

Billable       Non-billable      Charge to: \_\_\_\_\_

<i>Purpose</i>	<i>Description</i>	<i>Days</i>	<i>Cost</i>	
	Labor			
	Per Diem			
	Misc.			
	Total			

<i>Other Changes:</i>

## D Appendix A – Interface Descriptions

### Itron Responsibilities:

- Itron shall work with the City or their representatives to design and agree on all interface file formats and content.
- Itron and Turlock shall develop and test all interface programs required for the System and the Choice Connect Application software
- Itron and NewWorld shall participate in interface testing in conjunction with City or their representatives.
- NewWorld (City) will develop and test the FDM interface files.
- Itron will design and test the FDM interface files

### City Responsibilities:

- The City shall participate in interface design sessions with Itron.
- The City shall work in conjunction with Itron to agree upon all interface file formats and content.
- The City and Itron, with New World shall produce CIS-side interface design documents, including file formats and exceptions handling processes.
- City will be responsible for any other City applications.
- City shall work with Itron to design and implement all File Transfers required to support the identified interfaces.
- City, New World and Itron shall perform unit test on all interfaces prior to delivery to the City.
- City will schedule interface execution once testing as completed.
- The City, working in conjunction with Itron and New World, shall support Base System Testing and Solution End-to-End Testing.

### Interfaces included in Statement of Work:

Interface	Frequency	Description	Owner
Billing Request File	Daily	File extracted from CIS and imported to the ChoiceConnect Application Software to identify accounts to be billed by City. File extracted by cycle on a predefined schedule. MV-RS billing file is assumed.	City
Billing Update File	Daily	File that includes the necessary data elements to bill the City end customer. MV-RS file format is assumed. City will develop process to import the billing update file into CIS or the Infrastructure System.	Itron / City
FDM Work Order FromHost file	As Required	CIS File generated by route or cycle and includes a comprehensive list of work orders to be assigned to Itron requiring an Endpoint install.	City
FDM Work Order ToHost file	Daily	File generated from the Itron work order system used to update City's Billing and Infrastructure Systems. City will develop process to import the Tohost file into CIS or the Infrastructure System.	Itron
Configuration File	Daily	One-way interfaces to keep the Data Repository data aligned with the Billing and Infrastructure data. Information will be extracted from the Billing and/or Infrastructure	NewWorld

		System and imported into the Data Repository nightly. Records in which customer, account or meter changes were made will be included in this file.	
Device Maintenance File	Daily	One-way interfaces to keep the Collection Engine data aligned with the Billing and Infrastructure data. Information will be extracted from the Billing and/or Infrastructure System and imported into the Collection Engine nightly. Records in which customer, account or meter changes were made will be included in this file.	NewWorld

## Appendix B - Milestones

Milestones to begin at project start date.

Itron will work with City to create Project schedule that meets the Project schedule deliverables and measurements below.

Deliverable	Measurement	Due Date
Integrated Project Plan	Itron to complete and City to review and approve the baseline integrated project plan.	April 2012
Baseline Deployment Plan	Network Device and Endpoint baseline Deployment schedule reviewed and approved by the City. Includes build and delivery schedules, Network Device and Endpoint installation schedules, and route acceptance schedule.	April 2012
Install and configure ChoiceConnect servers	ChoiceConnect Application Software servers available for Itron to install and configure ChoiceConnect Application Software	June 2012
System and Training Documentation	Provide all training documentation, specification documents and other System documentation.	June 2012
Pilot System Acceptance	Pilot System Acceptance occurs as defined in Appendix G.	June 2012
100% of the Network Devices installed and tested	Itron to install and test and City to accept 50% of the Network Devices as defined in the Collector and Repeater acceptance section of this document.	August 2012
As built Network Design document	As built Network Design document that includes as built diagrams for all Network Device installations; requires all Network Devices to be installed.	August 2012
18,200 Endpoint Installation Acceptance	Monthly Acceptance reports will be used to track performance against plan.  Acceptance of the Endpoint will occur after two consecutive days of network reads.	August 2012
Final System Acceptance	Final System Acceptance performance criteria are achieved over a 30-day period	September 2012

## Appendix C - Definitions

This section provides a listing and definition of the key terms referred to in this document.

Term	Definition
100W-R or 100WP	The 100W Endpoint communicates using the 900 MHz frequency. The 100W Endpoints are high-powered radio frequency two-way devices. When attached to a water meter, the Endpoint obtains consumption, data logging and tamper information from the meter then communicates the data via radio to a Mobile Collector or a 900 MHz Network Device.
AMR	Automated Water Meter Reading
API	Application Programming Interface
Available Endpoint	Water endpoint: (i) that is not damaged or vandalized by a third party; (ii) for which the City has provided Itron with accurate and up-to-date account information via the standard interface to the Customer Care; (iii) for City installed Endpoints, they are mounted according to agreed upon installation processes; (iv) Endpoint without a pending investigation or maintenance work order (previously reported non-responding Endpoint); (v) GPRS or City provided backhaul is properly functioning provided that the city is promptly notified by a System alert that a Itron Network Device failure has occurred that requires immediate maintenance or replacement; (vi) ChoiceConnect Application Software is on-line and communicating with the Network Devices; (vii) exclusion of Endpoints in which unanticipated RF blocking has occurred since installation; examples are limited to permanent structures added after the Endpoints were accepted.
Billing Read	Is defined as delivering one standard consumption meter read to the ChoiceConnect Application Software over the three calendar day billing window; with the billing window being defined by the City's meter reading and billing schedule.
Billing System	AquaCIS Billing System is the City's Billing System. For the purpose of this document, it is also referred to as the Customer Information System (CIS).
Business Solution Document (BSD)	Business Solution Document (BSD) details the System functionality to be implemented and the plans to integrate the System functionality into the City's operational processes. The BSD also outlines the data flow associated the capabilities of the System.
ChoiceConnect Application Software	Includes (a) Fixed Network Application (also referred to as Collection Engine) and includes Network Performance Application (NPA); and (b) Customer Care (also referred to as Data Repository).
CIS	Customer Information System or the Advanced Utility Systems CIS Infinity Billing System.
Collection Engine	Also referred to Network Software. Collection Engine initiates, receives and processes messages to/from the Collectors and stores 40 days of information to its transitory database. In addition, performance statistics are provided through the Collection Engine.
Collectors	is defined in Section B of this SOW.
Configuration File	Created from City's Billing System, this file is used to update the Data Repository with current customer and meter information. The file is used to keep the Billing System and Data Repository in sync.
CSR	Customer Service Representative. A person that works in the utility call center.
Daily Read	Is defined as delivering one standard consumption meter read to the ChoiceConnect Application Software over a calendar day.

Term	Definition
Data Repository	Interfaces with the Collection Engine to serve as the long-term data store for collected Endpoint data. User interface is available to perform queries and analysis of the Endpoint data.
Deployment Plan	Using input from the City, the Deployment Plan is developed by the Itron Project Manager and approved by the City. It is the schedule that defines order in which routes will be assigned to Itron. The Deployment Plan will include the following: <ul style="list-style-type: none"> <li>• build schedule – used by Itron manufacturing</li> <li>• delivery schedule – used to define product delivery schedule</li> <li>• Network Device installation schedule – used by Itron to install and manage the Network Device installation process</li> <li>• Endpoint installation schedule – used by Itron to install and manage the Endpoint installation process</li> <li>• Route acceptance schedule – schedule used by the Project Team to manage route saturation and acceptance expectations</li> </ul>
Device Maintenance File	Created from City's Billing System, this file is used to update the Collection Engine with current customer and meter information. The file is used to keep the Billing System and Collection Engine in sync and is critical in the Collection Engine's ability to accurately produce System performance reports.
Endpoint	Includes 100WP and 100W-R, All Endpoint types are high-powered radio frequency two-way devices. When attached to a water meter, the Endpoint obtains consumption, data logging and tamper information from the meter then communicates the data via radio to a Repeater and/or Collector. The 100W Endpoint communicates using the 900 MHz frequency.
Equipment	As described in Schedule A.
FDM	FDM is the tool used to manage work orders for the Project. Work order types in FDM include installation, quality assurance and maintenance. FDM is also the tool used to manage inventory and for the purpose of the Project, provide access to Itron's Project Tracking and Reporting tool (PTR).
FSR	Field Service Representative. Another name for an installer.
FTP	File Transfer Protocol
GPRS	General Packet Radio Service. Cell phone carriers offer this service. Packet-based, always-on, Internet Protocol (IP) based, data service utilized by Water ChoiceConnect and OpenWay systems.
HDL	Host Download file. File from the Customer CIS/billing system to the Itron MV-RS meter reading system.
HUL	Host Upload file. File from the Itron MV-RS meter reading system to the Customer CIS/billing system.
ICS	Initial Configuration Set-up. Process of initializing the Collector configuration including the back-haul method.
Infrastructure System (ITX)	Meter and other asset management system used by the City.
IT	Information Technology
Integrated Project Plan	Is the overall plan used by the Project Team to deliver the Work. The Integrated Project Plan identifies both City and Itron required tasks and deliverables.

Term	Definition
Interval Read	Is defined as hourly message received at the ChoiceConnect Application Software. Each Available Endpoint is expected to deliver 24 (or more) Interval Read messages daily.
Itron Project Team	Includes all Project resources under the responsibility of Itron including staff from Itron, and both the Endpoint and Network Device installation contractors. Itron resources, including subcontractors, will be defined in Schedule F of the Agreement.
Network Device	Network Device is a Collector or a Repeater as defined in this schedule.
Network Design	The Network Design document is developed and managed by Itron; it documents hardware specifications (weight and footprint) and site specific installation requirements, including mounting locations, mounting details, and WAN communication and power connection details for the Itron equipment. The City has review and approval responsibility for the document. The document is maintained during the design, build and operate phases of the Project.
Network Software	Same as Collection Engine.
Non-Production	Environments of Software instances defined by the City not used for customer billing. Examples include Test, Development, Training, Backup, or Business Intelligence.
Project Control Manual (PCM)	Detailed process and procedure document used by the Project Team to manage the Project. The document will be co-developed by the City and Itron. In addition to detailed processes and procedures, the Project Control Manual will define roles and responsibilities, Project methodology and other key Project deliverables. Project Control Manual template can be found in Appendix I.
Project	Shall include the supply, installation, configuration, testing, and provisioning of an AMR System that will service approximately 60,000 meters. The System shall be integrated with current water meters and include the equipment and services to provision and support the System.
Project Team	Consist of representatives from both the City and Itron responsible to deliver on the requirements of the Project. Job responsibilities and resource names are defined in Schedule F of the Agreement.
Provision	The processes and acts employed by Itron to supply, install, configure, test and activate an Automated Water Meter Reading System for the City pursuant to this Agreement.
PTR (Project Tracking & Reporting)	PTR is an on-line Project dashboard used by the Project Team to monitor installation performance, route saturation, quality assurance and inventory. PTR hardware will be installed in Itron's data center in Liberty Lake, WA (USA). PTR is populated with an extract from FDM; customer name and customer telephone number will not be included in PTR.
Repeater	The Repeater 100 collects meter data from Itron Endpoints and relays it to Collectors within the network. Operating in the 900 MHz radio band, Repeaters are used to extend the range of the network and add reliability and redundancy to the communication path between Endpoints and Collectors.
RMA	Return Material Authorization is an approval received from Itron's customer support group to return Itron product under warranty.
Route Acceptance	Route Acceptance is defined as the "completion" of all assigned work orders within a existing City of Turlock meter reading route. "Completion" is defined as each work order in a route having an Endpoint installed or the work order returned to the City in accordance with the agreed upon RTU process.  Route Acceptance is important as Itron builds their baseline Deployment Plan with a focus towards route saturation and Route Acceptance. The purpose is to ensure routes are completed timely and against defined and measurable schedule.
RTU	Return to Utility work order. This is a work order that is returned to the City because the install was not able to be completed. Process to code and return an RTU is defined in the Project Control Manual.
Solution Delivery Manager	Is the Itron Project sponsor that has senior responsibility for the delivery of the Project and the all work performed Itron Project Team. The Solution Delivery Manager is also the Itron second level responsible party for the dispute resolution process.
S/N's	Serial Numbers

Term	Definition
System	An Automated Water Meter Reading System consisting of the Products and Services provided for in this Agreement. For greater certainty the elements of the AMR System are as summarized under 'AMR System Overview' of Schedule A to this Agreement.
TAD	Technical Architecture Design. A document used during the Project requirements phase to outline computing environment of the System. When complete and accepted, the TAD includes the "as left" technical and server environment and System configuration and the entity relationship diagram.
VPN	Virtual Private Network
WAN	Also known as backhaul. The communication solution between the Collectors and the Collection Engine. For the City, Itron will be using City's existing wired WAN for backhaul purposes. GPRS will be used as an alternative when approved by the City.
Water ChoiceConnect	A Fixed Network system comprised of a Web Server, Message processor, database server, Collector and RF Endpoints
Work Order Data	Is the FDM meter deployment data
XML	Extensible Markup Language

## 1. Appendix 2 – Itron Performance Measurement

### Performance Measurement

#### Daily Reads

*Pass criteria* is defined as follows: Numerator divided by the Denominator for the 30-day test period is 98.0% or greater; where

- (i) the Numerator is defined as the sum of the number of Available and Accepted Endpoints for which a standard consumption message has been received by the ChoiceConnect Application Software as of 11:59 pm on each day during the 30-day test period; and where
- (ii) the Denominator is defined as the sum of the Available and Accepted Endpoints as of 11:59 pm on each day during the 30-day test period.

*As an example, assume that standard consumption messages are received for 999 Available and Accepted Endpoints as of 11:59 p.m. on each day of the 30 day test period and that there are 1,000 Available and Accepted Endpoints as of 11:59 pm on each day of the 30 day test period. In this example, the numerator for the Daily Reads calculation would be 29,970 (or 999 x 30); the denominator for the Daily Reads calculation would be 30,000 (or 1000 x 30); and the Daily Reads percentage would be 99.9 percent.*

*Daily Read performance will be measured using existing performance reports from the ChoiceConnect Application Software. During System Acceptance Testing, Daily Read performance reporting will be updated daily by Itron.*

#### ▪ Billing Reads

*Pass criteria* is defined as follows: Numerator divided by the Denominator for the 30-day test period is 99.0% over a three day window or greater; where

- (i) Numerator is defined as the sum of the Available and Accepted Endpoints in each Cycle Group (defined below) that is part of a single Billing Cycle (defined below) for which a standard consumption message has been received by the ChoiceConnect Application Software as of 11:59 pm during the second day of the Billing Window (defined below) for that Cycle Group; and where
- (ii) the Denominator is defined as the sum of the Available and Accepted Endpoints as of 11:59 pm on the second day of the Billing Window for each Cycle Group during the applicable Billing Cycle.

*The term "Cycle Group" means a group of Endpoints that are part of a single billing group in the City's billing process. The term "Billing Cycle" means a monthly period during which all Cycle Groups are billed by the City. The term "Billing Window" means a three day window for measuring standard consumption messages for a particular Cycle Group ending on 11:59 pm on the billing cut-off day for that particular Cycle Group.*

*As an example, assume a Billing Cycle has 5 Cycle Groups and that each Cycle Group has 200 Endpoints. Assume further that, during the 30 day test period, standard consumption messages are received for 198 Endpoints for each of the 5 Cycle Groups and that 199 Endpoints are considered Available Endpoints as of the required time for each Cycle Group. In this example, the numerator for the Billing Reads calculation would be 990 (or  $198 \times 5$ ); the denominator for the Billing Reads calculation would be 995 (or  $199 \times 5$ ); and the Billing Reads percentage would be 99.5 percent.*

*Daily Read performance will be measured using existing performance reports from the ChoiceConnect Application Software. During System Acceptance Testing, Billing Read performance reporting will be updated daily by Itron.*

## Appendix F ChoiceConnect Application Software Reports

Standard ChoiceConnect Network Application Software Reports include the following:

- **Collector Exceptions Report** – lists the Collectors that have not been read since the specified date.
- **Collectors Reporting Alarms** – lists all Collectors that have reported alarms since the specified date. The report also details the type of alarm, the date and time the alarm started, and the date and time the alarm ended.
- **Repeater Exceptions Report** – lists the Repeaters that have not been read since the specified date.
- **Endpoint Alarms Report** – lists all the Endpoints returning alarms since the specified start date.
- **Endpoint Exceptions Report** – lists the Endpoints that not been heard by the Network within the time frame defined by the report period.
- **Endpoint Group Exceptions Summary Report** – displays Endpoint communications failures by Endpoint group.
- **Leak Report** – lists all Endpoints reporting leaks.
- **Reverse Flow Report** – lists all Endpoints returning a reverse flow alarm.
- **Tamper Report** – lists tamper details for all the Endpoints that have returned tamper messages from the specified start date until the current date.
- **No Usage on Active** – lists the Endpoints that have an active status on the account, but have not reported usage for the specified report period.
- **Usage on Inactive Report** – lists all the Endpoints that have an inactive status on the account but are reporting usage.

Standard ChoiceConnect Network Application Software **Operational** Reports include the following:

- **System Status Summary Report** – provides a high-level overview of overall network health. The summary report provides a snapshot of the number of Collectors and Endpoints reporting data or not reporting data, and offers the ability to drill down to a variety of detailed reports as described below.
- **Collector Detail Report** – provides a detailed description of the status of each Collector in the network including ID, type, active status, and most recent contact.
- **Endpoint Detail Report** – provides a detailed description of the status of each Endpoint in the network including ID, type, location, address, and most recent contact.
- **Tamper Summary Report** – provides a summary of the total number of Endpoints reporting, and allows all Endpoints reporting tampers to be listed.
- **Leaks Summary Report** – provides a summary of the total number of Endpoints reporting leaks, and allows all Endpoints reporting leaks to be listed as well as when the leak was reported.
- **Alarms Summary Report** – provides a summary of the total number of alarms received from each Collector, including potential reverse flow alarms, and allows each alarm reported by each Collector to be listed as well as when the alarm was reported.

## 1. Appendix C-14d

Prior to the commencement of full-scale installation, but after Itron has installed MV-RS Itron shall install Endpoints on approximately 500 meters located in close proximity to each other. The use of the System in connection with such Endpoints is hereinafter referred to as the "Pilot." Following the Pilot installation and for a period lasting not longer than ten (10) business days, the City and Itron shall evaluate the following:

- Validation Endpoints read utilizing mobile collector
- Data transfer to the City's billing system
- Installation data management, Project control, and problem resolution
- Project invoicing and work reconciliation

The City and Itron may mutually agree to modify procedures that they deem to be deficient or ineffective or otherwise unacceptable.

Pilot System Acceptance criteria is identified as : (a)MV-RS is processing and posting meter information; (b) Endpoints on the test meters are accepted as defined in the Endpoint Acceptance criteria;

## **Appendix I - Third Party Software**

City will be responsible to provide the following third party software for both production and non-production system:

### ***Collection Engine includes Network Performance Application:***

- o Windows Server 2003 Server Operating System (Standard x64 Edition, Service Pack 2)
- o Microsoft SQL Server 2005 Enterprise x64 Edition, Service Pack 3
- o Microsoft .NET version 2.0
- o Microsoft IIS for web services
- o Microsoft Internet Explorer version 7
- o OPTIONAL: We have had a lot of success backing up our ChoiceConnect database with a product from Red Gate called SQL Backup. Their website is: [http://www.red-gate.com/products/SQL\\_Backup/](http://www.red-gate.com/products/SQL_Backup/). It is convenient and much more efficient than the built in tools available from SQL.

### ***Data Repository***

- o Microsoft Windows Server 2003 Server Operating System (Standard x32 Edition, Service Pack 2) for Web Server and Application server
- o Microsoft Windows Server 2003 Server Operating System (Standard x64 Edition, Service Pack 2) for database server
- o Microsoft SQL Server 2008 Standard x64 Edition
- o Microsoft Internet Explorer version 7 – Microsoft

### ***Note on Internet Explorer 8:***

The web interfaces for the Collection Engine version 4.0, which is the version to be provided to the City, supports the use of Internet Explorer 8. The Data Repository web interfaces have had some testing completed on Internet Explorer 8, but completion of testing is not anticipated before the end of January 2010. We do not anticipate any product issues with the usage of Internet Explorer 8 at this time, however, there is a remote possibility that some incompatibilities exist. We have only been testing on Windows XP SP3. We do not currently have testing scoped for Windows 7.

## V. Appendix J – Quality Program

Itron's quality program will consist of the following:

### Project Management Quality Control

Itron will implement a quality program to be used to implement the Project. The outline of the quality program is defined below. During the design phase of the Project, Itron will work with the City to refine the program to achieve the expected results of the Project. It will be the responsibility of the Itron Project Manager to implement and manage the quality program, which will include monthly program quality reports. The Program will consist of the following:

### Best Practices Processes and Procedures

Working in conjunction with the City, Itron will develop the necessary processes and procedures to ensure the Project is delivered with a focus on quality. These procedures will be documented in the Statement of Work with the City having approval responsibility. To manage compliance, Itron will implement controls that are understood by all parties and managed and reported on by the Project Manager. Risks associated with compliance issues will be reported on during the risk review meetings.

### Staffing and Training

Prior to hiring an FSR, Itron will perform prescreening test (drug, police check) as defined in the Statement of Work. Only after prescreening test are cleared will an FSR come in for training, which includes testing to validate the FSR learned the necessary requirements of the training session. Training will be conducted on customer service, customer communications, safety, Endpoint installation and programming, and use of the hand held units. Specific training requirements are defined in the Statement of Work.

### Customer Inquiries and Complaints

As defined in the Statement of Work all customer inquiries, including complaints and claims against Itron or contractors, are tracked and reported on during the weekly Project meetings. Complaints and claims will be addressed timely with Itron producing the appropriate reports.

### Contractor Management

Itron will implement a stringent quality assurance process for work completed by our partners. The quality assurance process will consist of the following:

Safety – regular safety audits will be conducted by Contractor management during the course of the Project. The audits will ensure compliance to identification, vehicle logos, drivers license, safety clothing and other required employee expectations. Further, follow-behind safety audits will be conducted by the Contractor management team to validate the FSR's are following documented procedures and processes.

Network – using an Itron Field Engineer, Itron will perform an audit on 100% of the Collector installations and 10% of the Repeater installations completed by the Contractor. The audit will validate contractor work aligns with documentation (pre-built documents, installation manuals) and RF performance is as expected. Results of the audits are documented and used to create the as built network documentation.

Endpoints – Itron will attempt to inspect and audit 100 percent of all work orders completed by new hires for a period of 10 working days from the date the installer begins field work. These audits occur within two days of the installation. All errors will be reviewed with the installer and the appropriate follow-up training provided. After this initial 10-day period, five percent of each installer's work orders will be audited on a monthly basis. If an installer's errors are found to be in excess of one percent, or appear to be specific to one meter type code, the installer will be removed from the field and retrained. Itron will attempt to inspect and audit 100 percent of the retrained installers work for 10 consecutive working days following retraining. Any significant error in that 10-day period will result in the installer being permanently removed from the field.

#### Work Order Data Integrity Assurance

Understanding that installation and CIS meter data are not always perfect, FSR's will be able to complete the installation of the Endpoint in which actual meter data doesn't match expected CIS data. In this case, the work order system will flag these mismatches as exceptions. These exceptions will be managed by the back office using digital images and other data. In the unlikely event the exception cannot be cleared using photographs or data, a work order will be generated and a field revisit scheduled with a supervisor.

#### Performance Management

As defined in the Statement of Work, Itron will accept Endpoints during the course of the Project after performance criteria is achieved. Following, the City will manage performance of the accepted Endpoints in accordance with the documentation provided by Itron. Following the completion of the build phase, Itron will initiate final system acceptance which will validate performance of the System. When the Project is complete and the System is transitioned, it is operating at peak efficiency with the City trained and prepared to take complete ownership going forward.



## Council Synopsis

5M

July 24, 2012

From: Allison Van Guilder, Parks, Recreation and Public Facilities Manager

Prepared by: Allison Van Guilder, Parks, Recreation and Public Facilities Manager

Agendized by: Roy W. Wasden, City Manager

### 1. ACTION RECOMMENDED:

Resolution: Authorizing the sole source repairs to uplifted sidewalks in various locations of the City, in an amount not to exceed \$30,000, with Precision Concrete Cutting (PCC) for the Parks, Recreation and Public Facilities Division, without compliance to the formal bid procedure

### 2. DISCUSSION OF ISSUE:

Uplifted sidewalks present a challenge to individuals with mobility impairments and are often cited as a reason for trip and fall incidents. Responsibility for maintaining sidewalk in a safe and accessible condition rests with the adjacent property owner. City maintenance crews are responsible for maintaining sidewalk in and around City facilities. Traditionally this involved grinding down the uplifted areas or completely removing and replacing the effected panels. The grinding method is unrefined and produces less than desirable results. Complete removal and replacement provides the best result, however it is typically the most expensive option. A cost effective and high quality alternative to these methods is the process of concrete cutting. PCC has proprietary specialized equipment to repair uplifted sidewalk. This equipment cuts a beveled edge, creating a transition between adjacent sections of sidewalk that is smooth and free of abrupt transitions. This patented technology would allow the City to effectively remove the trip hazard, maintain ADA accessibility and prolong the usability of the sidewalk before removal and replacement is necessary, all at a fraction of the cost of traditional removal and replacement.

Based on the above analysis, Staff feels the City should contract with PCC. Staff is requesting your concurrence to approve the sole source contract to repair uplifted sidewalks in various locations of the City in the amount not to exceed \$30,000 and to waive the formal bid process in accordance to the Turlock Municipal Code Purchasing System Chapter §2-7-08 (b)(1) (Code listed below), due to PCC being the only company authorized to use the previously described patented equipment and method for removing sidewalk trip hazards, therefore being the sole-source provider for this service.

Turlock Municipal Code Chapter 2-7 Purchasing System  
§2-7-08 Bidding requirements. (b) Bidding procedures are not required under the following circumstances regardless of the amount involved. (2) When the commodity can be obtained from only one vendor.

**3. BASIS FOR RECOMMENDATION:**

PCC utilizes a patented saw cutting method to repair uplifted sidewalks that are not in accordance with ADA for a tenth of the cost of removal and replacement. For a few thousand dollars PCC can remove hundreds of trip hazards and the liability that is often associated with uplifted sidewalks. Given the City's finite resources, this service provides a useful tool in addressing our trip hazard removal needs and will reduce the number of trip and fall litigation claims. PCC has provided this service to other local agencies, and the price they have quoted is reasonable and much more cost effective than removal and replacement. Staff is recommending that Council approve the sole source repairs to uplifted sidewalk in various locations of the City in the amount not to exceed \$ 30,000.

**Strategic Plan Initiatives**

**B. FISCAL RESPONSIBILITY**

**Goal:**

- c. ensure the most efficient use of resources and maximize value within department budgets and develop value-added partnerships with public and private agencies, industry, and educational institutions, such as California State University Stanislaus.

**H. COMMUNITY PROGRAMS, FACILITIES AND INFRASTRUCTURE**

**Goal:**

- a. Community Infrastructure
  - i) Strive to provide safe and well-maintained sidewalks for the citizens of Turlock through the City of Turlock's Sidewalk Repair Program.

**4. FISCAL IMPACT / BUDGET AMENDMENT:**

Currently budgeted for fiscal year 2012/2013 at line number:  
512-10-152.47320\_001 Self Insurance Liability

Fiscal impact to above line number: Not to exceed \$30,000.

There is no impact to the General Fund.

**5. CITY MANAGER'S COMMENTS:**

Recommend approval.

**6. ENVIRONMENTAL DETERMINATION:**

This contract is categorically exempt from a CEQA determination by Section 15301 (c) Existing Facilities. This contract will lead to maintenance of existing facilities that will not lead to any expansion of use beyond what currently exists.

**7. ALTERNATIVES:**

Do not authorize the sole source agreement with PCC. Staff does not recommend this as this service extends the accessibility life of a sidewalk and reduces the potential for a trip and fall incidents.



**AGREEMENT FOR SPECIAL SERVICES**  
between  
**CITY OF TURLOCK**  
and  
**Precision Concrete Cutting**  
for  
**Sidewalk Trip Hazard Removal**  
CONTRACT NO. 12-014

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**THIS AGREEMENT** is made this 24th day of July, 2012, by and between the **CITY OF TURLOCK**, a municipal corporation of the State of California hereinafter referred to as "CITY" and **PRECISION CONCRETE CUTTING**, a California Corporation, hereinafter referred to as "CONTRACTOR."

**WITNESSETH:**

**WHEREAS**, CITY has a need for sidewalk trip hazard removal services; and

**WHEREAS**, CONTRACTOR has represented itself as duly trained, qualified, and experienced to provide such special service, hereinafter referred to as "Services."

**NOW, THEREFORE**, the parties hereto mutually agree as follows:

**1. SCOPE OF WORK:** CONTRACTOR shall furnish all labor, equipment, materials and process, implements, tools, and machinery, except as otherwise specified which are necessary and required to provide the Services and shall perform such special services in accordance with the standards of its profession and the specifications attached hereto as Exhibit A. CONTRACTOR shall provide Services that are acceptable to CITY.

**2. PERSONNEL AND EQUIPMENT:** CONTRACTOR shall provide all personnel needed to accomplish the Services hereunder. CONTRACTOR shall additionally acquire, provide, maintain, and repair, at its sole cost and expense, such equipment, materials, and supplies as CONTRACTOR shall reasonably require to accomplishing said Services.

**3. SAFETY REQUIREMENT:** All Services and merchandise must comply with California State Division of Industrial Safety orders and O.S.H.A.

*OK for Agenda*  


4. **COMPENSATION:** CITY agrees to pay CONTRACTOR in accordance with Exhibit "A" as full remuneration for performing all Services and furnishing all staffing and materials called for in Exhibit "A" and for performance by CONTRACTOR of all of its duties and obligations under this Agreement. In no event shall the sum of this Agreement exceed Thirty Thousand Dollars and (\$30,000). CONTRACTOR agrees that compensation shall be paid in the manner and at the times set forth below:

(a) Invoices: CONTRACTOR shall submit dated invoices to CITY specifying the date, location and service rendered, and the charge therefor.

(b) Payment:

(1) All payments by CITY shall be made in arrears, after satisfactory service, as determined and approved by CITY, has been provided. Payment shall be made by CITY no more than thirty (30) days from CITY's receipt of invoice.

(2) CITY shall normally pay by voucher or check within ten (10) working days after each meeting at which payments can be authorized, provided that CITY receives the invoice at least five (5) working days prior to CITY's meeting date.

(3) If CITY disputes any items on an invoice for a reasonable cause, which includes but is not limited to unsatisfactory service, CITY may deduct that disputed item from the payment, but shall not delay payment for the undisputed portions. The amounts and reasons for such deletions shall be documented to CONTRACTOR within fifteen (15) working days after receipt of invoice by CITY. CITY shall assign a sequential reference number to each deletion.

(4) If dispute is settled, payment shall be by voucher or check payable to and mailed to CONTRACTOR within five (5) working days of dispute settlement.

(5) CITY reserves the right to only pay for such services rendered to the satisfaction of CITY.

5. **TERM OF AGREEMENT:** This Agreement shall become effective upon execution and shall continue in full force and effect for a period of twelve months (12) beginning July 1, 2012 and ending June 30, 2013, subject to CITY's availability of funds.

6. **INSURANCE:** CONTRACTOR shall not commence work under this Agreement until CONTRACTOR has obtained CITY's approval regarding all insurance requirements, forms, endorsements, amounts, and carrier ratings, nor shall CONTRACTOR allow any subcontractor to commence work on a subcontract until all similar insurance required of the subcontractor shall have been so obtained and approved. CONTRACTOR shall procure and maintain for the duration of this Agreement insurance against claims for injuries to persons or damages to property which may arise from or in connection with the performance of the work hereunder by CONTRACTOR, its agents, representatives, employees or subcontractors. Failure to maintain or renew coverage or to provide evidence of renewal may constitute a material breach of contract.

(a) Minimum Scope of Insurance: Coverage shall be at least as broad as:

(1) Insurance Services Office Commercial General Liability coverage (occurrence Form CG 00 01) with an additional insured endorsement (form CG 20 10 11 85 or its equivalent), to be approved by the City of Turlock.

(2) Insurance Services Office Form CA 00 01 covering Automobile Liability, Code 1 (any auto).

(3) Workers' Compensation insurance as required by the State of California and Employer's Liability Insurance.

(4) Errors and Omissions/Professional Liability Insurance.

(b) Minimum Limits of Insurance: CONTRACTOR shall maintain limits no less than:

(1) General Liability (including operations, products and completed operations): \$1,000,000 per occurrence for bodily injury, personal injury and property damage. If Commercial General Liability Insurance or other form with a general aggregate limit is used, either the general aggregate limit shall apply separately to this project/location or the general aggregate limit shall be twice the required occurrence limit.

(2) Automobile Liability: \$1,000,000 per occurrence for bodily injury and property damage.

(3) Workers' Compensation: as statutorily required by the State of California. Employer's Liability: \$1,000,000 per accident for bodily injury or disease.

(4) Errors and Omissions/Professional Liability: \$1,000,000 per claim.

(c) Deductibles and Self-Insured Retentions: Any deductibles or self-insured retentions must be declared to and approved by CITY. At the option of CITY, either: (a) the insurer shall reduce or eliminate such deductibles or self-insured retentions as respects CITY, its elective and appointive boards, officers, agents, employees, and volunteers; or (b) CONTRACTOR shall provide a financial guarantee satisfactory to CITY guaranteeing payment of losses and related investigations, claim administration and defense expenses.

(d) Other Insurance Provisions: The commercial general liability and automobile policies are to contain, or be endorsed to contain, the following provisions:

(1) CITY, its elective and appointive boards, officers, agents, employees, and volunteers are to be covered as additional insureds with respect to liability arising out of automobiles owned, leased, hired or borrowed by or on behalf of CONTRACTOR; and with respect to liability arising out of work or operations performed by or on behalf of CONTRACTOR, including materials, parts or equipment furnished in connection with such work or operations, which coverage shall be maintained in effect for at least three (3) years following the completion of the work specified in the contract. General liability coverage can be provided in the form of an endorsement to CONTRACTOR's insurance (CG 20 10 11 85 or its equivalent), or as a separate Owners Protective Liability policy providing both ongoing operations and completed operations.

(2) For any claims related to this project, CONTRACTOR's insurance coverage shall be primary insurance as respects CITY and any insurance or self-insurance maintained by CITY shall be excess of CONTRACTOR's insurance and shall not contribute with it.

(3) In the event of cancellation, non-renewal, or material change that

reduces or restricts the insurance coverage afforded to CITY under any of the required insurance coverages, the insurer, broker/producer, or CONTRACTOR shall provide CITY with thirty (30) days' prior written notice of such action.

(4) Coverage shall not extend to any indemnity coverage for the active negligence of the additional insured in any case where an agreement to indemnify the additional insured would be invalid under Subdivision (b) of Section 2782 of the Civil Code.

(e) Acceptability of Insurers: Insurance is to be placed with insurers with a current A.M. Best's rating of no less than A:VII.

(f) Verification of Coverage: CONTRACTOR shall furnish CITY with original certificates and endorsements, including amendatory endorsements, effecting coverage required by this Agreement. All certificates and endorsements are to be received and approved by CITY before work commences. CITY reserves the right to require complete, certified copies of all required insurance policies, including endorsements effecting the coverage required by these specifications at any time.

(g) Waiver of Subrogation: With the exception of professional liability, CONTRACTOR hereby agrees to waive subrogation which any insurer of CONTRACTOR may acquire from CONTRACTOR by virtue of the payment of any loss. The commercial general liability policy and workers' compensation policy shall be endorsed to contain a waiver of subrogation in favor of CITY for all work performed by CONTRACTOR, its agents, employees, independent contractors and subcontractors. CONTRACTOR agrees to obtain any endorsement that may be necessary to effect this waiver of subrogation.

(h) Subcontractors: CONTRACTOR shall include all subcontractors as insureds under its policies or shall furnish separate certificates and endorsements for each subcontractor. All coverages for subcontractors shall be subject to all of the requirements stated herein.

**7. INDEMNIFICATION:** CONTRACTOR shall indemnify, defend, and hold harmless CITY and its elective and appointive boards, officers, agents, employees, and volunteers from and against all claims, damages, losses and expenses including attorney fees arising out of the performance of the work described herein, caused in whole or in part by any negligent act or omission of CONTRACTOR, any subcontractor, anyone directly or indirectly employed by any of them or anyone for whose acts any of them may be liable, except where caused by the active negligence, sole negligence, or willful misconduct of CITY.

**8. INDEPENDENT CONTRACTOR RELATIONSHIP:** All acts of CONTRACTOR, its agents, officers, and employees and all others acting on behalf of CONTRACTOR relating to the performance of this Agreement, shall be performed as independent contractors and not as agents, officers, or employees of CITY. CONTRACTOR, by virtue of this Agreement, has no authority to bind or incur any obligation on behalf of CITY. CONTRACTOR has no authority or responsibility to exercise any rights or power vested in the CITY. No agent, officer, or employee of the CITY is to be considered an employee of CONTRACTOR. It is understood by both CONTRACTOR and CITY that this Agreement shall not under any circumstances be construed or considered to create an employer-employee relationship or a joint venture.

CONTRACTOR, its agents, officers and employees are and, at all times during the terms of this Agreement, shall represent and conduct themselves as independent contractors and not as employees of CITY.

CONTRACTOR shall determine the method, details and means of performing the work and services to be provided by CONTRACTOR under this Agreement. CONTRACTOR shall be responsible to CITY only for the requirements and results specified in this Agreement, and, except as expressly provided in this Agreement, shall not be subjected to CITY's control with respect to the physical action or activities of the CONTRACTOR in fulfillment of this Agreement. CONTRACTOR has control over the manner and means of performing the services under this Agreement. CONTRACTOR is permitted to provide services to others during the same period service are provided to CITY under this Agreement. If necessary, CONTRACTOR has the responsibility for employing other persons or firms to assist CONTRACTOR in fulfilling the terms and obligations under this Agreement.

If in the performance of this Agreement any third persons are employed by CONTRACTOR, such persons shall be entirely and exclusively under the direction, supervision, and control of CONTRACTOR. All terms of employment including hours, wages, working conditions, discipline, hiring, and discharging or any other term of employment or requirement of law shall be determined by the CONTRACTOR.

It is understood and agreed that as an independent contractor and not an employee of CITY neither the CONTRACTOR or CONTRACTOR'S assigned personnel shall have any entitlement as a CITY employee, right to act on behalf of the CITY in any capacity whatsoever as an agent, or to bind the CITY to any obligation whatsoever.

It is further understood and agreed that CONTRACTOR must issue W-2 forms or other forms as required by law for income and employment tax purposes for all of CONTRACTOR'S personnel.

As an independent contractor, CONTRACTOR hereby indemnifies and holds CITY harmless from any and all claims that may be made against CITY based upon any contention by any third party that an employer-employee relationship exists by reason of this Agreement.

**9. VOLUNTARY TERMINATION:** CITY may terminate this Agreement without cause or legal excuse by providing thirty (30) days' written notice to CONTRACTOR.

**10. TERMINATION OF STATED EVENT:**

(a) Termination on Occurrence of Stated Events. This Agreement shall terminate automatically on the date on which any of the following events occur: (1) bankruptcy or insolvency of CONTRACTOR, (2) legal dissolution of CONTRACTOR, or (3) death of key principal(s) of CONTRACTOR.

(b) Termination by CITY for Default of CONTRACTOR. Should CONTRACTOR default in the performance of this Agreement or materially breach any of its provisions, at its option CITY may terminate this Agreement by giving written notification to CONTRACTOR. The termination date shall be the effective date of the notice. For the purposes of this section, material breach of this Agreement shall include but not be limited to any of the following: failure to perform required services or duties, willful destruction of CITY's property by CONTRACTOR, dishonesty or theft.

(c) Termination by CONTRACTOR for Default of CITY. Should CITY default in the performance of this Agreement or materially breach any of its provisions, at its option CONTRACTOR may terminate this Agreement by giving written notice to CITY. The termination date

shall be the effective date of the notice. For the purposes of this section, material breach of this Agreement shall include but not be limited to any of the following: failure to cooperate reasonably with CONTRACTOR, willful destruction of CONTRACTOR's property by CITY, dishonesty or theft.

(d) Termination for Failure to Make Agreed-Upon Payments. Should CITY fail to pay CONTRACTOR all or any part of the payments set forth in this Agreement on the date due, at its option CONTRACTOR may terminate this Agreement if the failure is not remedied within thirty (30) days after CONTRACTOR notifies CITY in writing of such failure to pay. The termination date shall be the effective date of the notice.

(e) Termination by CITY for Change of CONTRACTOR'S Tax Status. If CITY determines that CONTRACTOR does not meet the requirements of federal and state tax laws for independent contractor status, CITY may terminate this Agreement by giving written notice to CONTRACTOR. The termination date shall be the effective date of the notice.

(f) In the Event of Termination. If this Agreement is terminated pursuant to this Paragraph, CONTRACTOR shall cease all its work on the project as of the termination date and shall see to it that its employees, subcontractors and agents are notified of such termination and cease their work. If CITY so requests, and at CITY's cost, CONTRACTOR shall provide sufficient oral or written status reports to make CITY reasonably aware of the status of CONTRACTOR'S work on the project. Further, if CITY so requests, and at CITY's cost, CONTRACTOR shall deliver to CITY any work products whether in draft or final form which have been produced to date.

If the Agreement is terminated pursuant to any of the subsections contained in this paragraph, CITY will pay CONTRACTOR an amount based on the percentage of work completed on the termination date, this percentage shall be determined by CITY in its sole discretion. If the Agreement is terminated pursuant to the subparagraph entitled Termination by CITY for Default of CONTRACTOR, CONTRACTOR understands and agrees that CITY may, in CITY's sole discretion, refuse to pay CONTRACTOR for that portion of CONTRACTOR'S services which were performed by CONTRACTOR on the project prior to the termination date and which remain unacceptable and/or not useful to CITY as of the termination date.

**11. CONFORMANCE WITH FEDERAL AND STATE LAW:** All equipment, supplies and services used by CONTRACTOR in the performance of this Agreement shall conform to the laws of the government of the United States and the State of California.

**12. NONDISCRIMINATION:** In connection with the execution of this Agreement, CONTRACTOR shall not discriminate against any employee or applicant for employment because of age, race religion, color, sex, or national origin. CONTRACTOR shall take affirmative action to insure that applicants are employed, and the employees are treated during their employment, without regard to their age, race, religion, color, sex or national origin. Such actions shall include, but not be limited to, the following: employment, promotions, demotions or transfer; recruitment or recruitment advertising; layoff or termination; rate of pay or other forms of compensation; and selection for training, including apprenticeship. CONTRACTOR shall also comply with the requirement of Title VII of the Civil Rights Act of 1964 (P.L. 88-352) and with all applicable regulations, statutes, laws, etc., promulgated pursuant to the civil rights acts of the government of the United States and the State of California now in existence or hereafter enacted. Further, CONTRACTOR shall comply with the provisions of Section 1735 of the California Labor Code.

**13. TIME:** Time is of the essence in this Agreement.

**14. ENTIRE AGREEMENT AND MODIFICATION:** This Agreement supersedes all previous Agreements and constitutes the entire understanding of the parties hereto. CONTRACTOR shall be entitled to no other benefits than those specified herein. No changes, amendments or alterations shall be effective unless in writing and signed by both parties. CONTRACTOR specifically acknowledges that in entering into and executing this Agreement, CONTRACTOR relies solely upon the provisions contained in this Agreement and no others.

**15. OBLIGATIONS OF CONTRACTOR:** Throughout the term of this Agreement, CONTRACTOR shall possess, or secure all licenses, permits, qualifications and approvals legally required to conduct business. CONTRACTOR warrants that it has all of the necessary professional capabilities and experience, as well as all tools, instrumentalities, facilities and other resources necessary to provide the CITY with the services contemplated by this Agreement. CONTRACTOR further represents that it will follow the best current, generally accepted and professional practices to make findings, render opinions, prepare factual presentations, and provide professional advice and recommendations regarding this project.

**16. OWNERSHIP OF DOCUMENTS:** All reports, data, drawings, plans, designs, specifications, graphics, calculations, working papers, models, flow diagrams, visual aids, and other incidental work or materials furnished hereunder shall become and remain the property of the CITY, and may be used by CITY as it may require without any additional cost to CITY. No reports shall be used by the CONTRACTOR for purposes other than this contract without the express prior written consent of CITY.

**17. NEWS AND INFORMATION RELEASE:** CONTRACTOR agrees that it will not issue any news releases in connection with either the award of this Agreement, or any subsequent amendment of or efforts under this Agreement, without first obtaining review and approval of said news releases from CITY through the City Manager.

**18. INTEREST OF CONTRACTOR:** CONTRACTOR warrants that it presently has no interest and shall not acquire any interest, direct or indirect, which would conflict in any manner or degree with the performance of services required to be performed under this Agreement. CONTRACTOR warrants that, in performance of this Agreement, CONTRACTOR shall not employ any person having any such interest. CONTRACTOR agrees to file a Statement of Economic Interests with the City Clerk at the start and end of this contract if so required at the option of CITY.

**19. AMENDMENTS:** Both parties to this Agreement understand that it may become desirable or necessary during the execution of this Agreement, for CITY or CONTRACTOR to modify the scope of services provided for under this Agreement. Any material extension or change in the scope of work shall be discussed with CITY and the change and cost shall be memorialized in a written amendment to the original contract prior to the performance of the additional work.

Until a change order is so executed, CITY will not be responsible to pay any charges CONTRACTOR may incur in performing such additional services, and CONTRACTOR shall not be required to perform any such additional services.

**20. PATENT/COPYRIGHT MATERIALS:** Unless otherwise expressly provided in the contract, CONTRACTOR shall be solely responsible for obtaining the right to use any patented or copyrighted materials in the performance of this Agreement. CONTRACTOR shall furnish a warranty of such right to use to CITY at the request of CITY.

**21. CERTIFIED PAYROLL REQUIREMENT:** For CONTRACTORS performing field work

on public works contracts on which prevailing wages are required, CONTRACTOR shall comply with the provisions of Section 1776 of the California Labor Code, regarding payroll records, and shall require its subCONTRACTORS and subcontractors to comply with that section as may be required by law.

**22. PARTIAL INVALIDITY:** If any provision in this Agreement is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remaining provisions shall nevertheless continue in full force without being impaired or invalidated in any way.

**23. WAIVER:** The waiver by any party to this Agreement of a breach of any provision hereof shall be in writing and shall not operate or be construed as a waiver of any other or subsequent breach hereof unless specifically stated in writing.

**24. AUDIT:** CITY's duly authorized representative shall have access at all reasonable times to all reports, contract records, contract documents, contract files, and personnel necessary to audit and verify CONTRACTOR'S charges to CITY under this Agreement.

CONTRACTOR agrees to retain reports, records, documents, and files related to charges under this Agreement for a period of four (4) years following the date of final payment for CONTRACTOR services. CITY's representative shall have the right to reproduce any of the aforesaid documents.

**25. GOVERNING LAW:** This Agreement shall be governed according to the laws of the State of California.

**26. HEADINGS NOT CONTROLLING:** Headings used in the Agreement are for reference purposes only and shall not be considered in construing this Agreement.

**27. COMPLIANCE WITH LAWS:** CONTRACTOR shall insure compliance with all safety and hourly requirements for employees, in accordance with federal, state, and county safety and health regulations and laws. CONTRACTOR shall fully comply with all applicable federal, state, and local laws, ordinances, regulations and permits.

**28. CITY BUSINESS LICENSE:** CONTRACTOR will have a City of Turlock business license.

**29. ASSIGNMENT:** This Agreement is binding upon CITY and CONTRACTOR and their successors. Except as otherwise provided herein, neither CITY nor CONTRACTOR shall assign, sublet, or transfer interest in this Agreement or any part thereof without the prior written consent of the other.

**30. RECORD INSPECTION AND AUDIT:** CONTRACTOR shall maintain adequate records to permit inspection and audit of CONTRACTOR's time and material charges under this Agreement. CONTRACTOR shall make such records available to CITY during normal business hours upon reasonable notice. Such records shall be turned over to CITY upon request.

**31. EXCLUSIVE USE:** Services provided within the scope of this Agreement are for the exclusive use of CITY and CONTRACTOR agrees that, until final approval by CITY, all data, plans, specifications, reports, and other documents will not be released to third parties by CONTRACTOR without the prior written consent of CITY.

**32. EMPLOYMENT OF CITY OFFICIAL OR EMPLOYEE:** CONTRACTOR shall employ no CITY official or employee in the work performed pursuant to this Agreement. No officer or employee of CITY shall have any financial interest in this Agreement in violation of California Government Code Sections 1090 *et seq.*; nor shall CITY violate any provision of its Conflict of Interest Code adopted pursuant to the provisions of California Government Code Sections 87300 *et seq.*

**33. NOTICE:** Any and all notices permitted or required to be given hereunder shall be deemed duly given and effective (1) upon actual delivery, if delivery is by hand; or (2) five (5) days after delivery into the United States mail, if delivery is by postage paid, registered, or certified (return receipt requested) mail. Each such notice shall be sent to the parties at the address respectively indicated below or to any other address as the respective parties may designate from time to time:

**for CONTRACTOR: PRECISION CONCRETE CUTTING  
ATTN: JOSEPH ORTEGA  
P.O. BOX 8013  
FOSTER CITY, CALIFORNIA 94404  
PHONE: (650) 867-8657  
FAX: (650) 240-3866**

**for CITY: CITY OF TURLOCK  
ATTN: Ray Garcia, PFM Supervisor  
Parks, Recreation and Public Facilities Division  
144 S. Broadway  
TURLOCK, CALIFORNIA 95380-5454  
PHONE: (209) 668-5599 Ext. 4458  
FAX: (209) 668-5619**

**34. EXTENSION OF AGREEMENT:** CITY may elect to extend this Agreement for three (3) additional one-year terms, on the same terms and conditions, upon providing written notice to CONTRACTOR thirty (30) days prior to the expiration of this Agreement. On each anniversary date, CONTRACTOR will be allowed to increase prices. Increases may not exceed increases in the San Francisco-Oakland Consumer Price Index for all urban consumers or percentage increases in CONTRACTOR's published prices, whichever is lower. In all cases, CITY may cancel the contract if a requested price increase is not acceptable

**IN WITNESS WHEREOF,** the parties have caused this Agreement to be executed by and through their respective officers thereunto duly authorized.

**CITY OF TURLOCK, a municipal corporation**

By: \_\_\_\_\_  
Roy W. Wasden, City Manager

Date: \_\_\_\_\_

APPROVED AS TO FORM:

**PRECISION CONCRETE CUTTING**

By: \_\_\_\_\_

Title: \_\_\_\_\_

Print name: \_\_\_\_\_

Date: \_\_\_\_\_

By: \_\_\_\_\_  
Phaedra A. Norton, City Attorney

ATTEST:

By: \_\_\_\_\_  
Kellie Weaver, MMC, City Clerk

# EXHIBIT A

## SCOPE OF WORK CONTRACT NO. 12-014

### PROJECT SPECIAL PROVISIONS FOR SIDEWALK TRIP HAZARD MITIGATION

- a) All trip hazards between .25" inches and 1.75" inches in height will be saw cut in accordance with the requirements of the Americans with Disabilities Act. Each offset will be tapered at a 1:8 slope or flatter and shall have a smooth uniform appearance and texture. Method of trip hazard mitigation shall entail precise saw-**cutting/trimming** of the concrete only. Grinding, grooving, 45-90 degree vertical saw-cutting, use of a turbo (cup) wheel or pulverization of the concrete is NOT acceptable or allowed.
- b) All saw work shall be done with hand-held, electrically powered, equipment capable of cutting at any angle and able to remove the concrete completely to all edges of the trip hazard and around obstacles that may be encountered. The equipment must be capable of lying completely flush to the ground and capable of working at any angle, including absolute flush cutting, and perform trip hazard removal in hard-to-reach areas, around obstacles, on narrow walkways, next to fences and retaining walls or buildings.
- c) All saw cutting shall be taken to an absolute zero point of differential with the adjacent opposing panel, and to both edges of the sidewalk panel to mitigate the trip hazard in its entirety over the full width of the sidewalk panel as needed. Some panels may not require the full width of the sidewalk panel to be mitigated where the trip hazard recedes to an already zero differential.
- d) The adjacent opposing sidewalk panel, along with any wall and/or obstacles butting up to the sidewalk panel, shall not be cut into or marked in any way shape or form when saw cutting trip hazard. Cutting into any landscaping, i.e. grass, rocks, walls, etc, is not permitted. Contractor is not allowed to cut the concrete deeper than the opposing slab. Any scarring or damaging of the adjacent opposing slab which does not have a trip hazard on it or damage to landscaping, walls or otherwise, will require that the contractor remove and replace the damaged opposing slab or repair other damages at their cost.
- e) Contractor's trip hazard repairs may not leave ridges or grooves that could hold water and prevent drainage of rain water or irrigation. Final mitigated surface shall be smooth and free of any grooves that catch excess water.
- f) Dust shall be collected using a high powered vacuum dust control system, eliminating the majority of dust from entering into the atmosphere. The system requires multiple heads for the high capacity vacuum, and a controlled filtration system that will eliminate dust from entering the atmosphere. The suction device shall be attached to the hand-held electrically powered cutting equipment to assure a maximum amount of dust will be collected before it can be released into the atmosphere. No water-cooling is allowed, as it creates slurry and contaminates storm drains, possibly causing excessive environmental impact.
- g) All debris and concrete dust that remain on the sidewalk shall be completely cleaned from the surface as well as the surrounding area, i.e. landscaping, walls, etc. and be hauled off and dumped at an approved site. All costs incurred for disposal of waste material shall be included in unit cost and not paid for separately. Contractor must provide proof that all concrete and debris is recycled in a proper, environmentally safe manner.

- h) The maximum height of a trip hazard allowed for repair is 1.75". This will be cut at a slope of 1:8 or flatter.
- i) All traffic control devices required and all mobilization costs shall be included in the unit cost.
- j) Contractor must be able to initiate work within 5 days of contract award from City, and must provide data from current and previous projects (as well as customer contact information for those projects) to demonstrate contractor's ability and experience with this work. Contractor must provide the following:
  - 1) Proof of horizontal saw-cutting projects in excess of \$50,000 each with at least 3 different municipalities within the last 12 months.
  - 2) Proof of an employee safety manual that is specific to this type of work.
  - 3) Proof of its most recent employee fit testing exam per OSHA guidelines.
  - 4) Proof of an "Employee Manual" giving direction on how work is to be performed.
- k) Work days and hours shall be limited to one day per week, and as approved by the Project Manager. In any case, no work shall be allowed on Saturdays, Sundays or holidays. Contractors not able to meet this requirement and to respond within 24 hours for emergency work in the city will not be selected for this project.
- l) If Contractor is approached by the public with questions the Contractor shall turn off saw-cutting equipment and be courteous and polite when speaking with the public.
- m) Contractor shall, at all times, keep his work area safe and clean to protect the public. Sidewalk repair equipment and all other items incidental to the work shall not be left or stored on the sidewalk or on private property while not in use.
- n) If the Contractor damages any property adjacent to his work the Contractor shall be required to repair all damages to the property owner's expectations at no cost to the City.
- o) Contractor shall work closely with maintenance staff to coordinate any and all work to be performed.
- p) It is the Contractor's responsibility to adhere to the ADA grades required (1:8 slope or flatter). Inspection and approval of work shall not relieve the Contractor from achieving all requirements set forth in these specifications. The Contractor shall be responsible to repair any work improperly performed. There will be no additional payment for these repairs if required.
- q) Maintenance staff will compile and provide a list of streets, areas or addresses where work is to be completed. This list will be generated after Inspectors have marked all trip hazards to be done, in black paint. This address list will be sent in Excel format to the Contractor.
- r) Contractor must be able to respond to any emergency work within 24 hours of notification, year around and contractor shall not use ANY sub-contractors or other individuals who are not full time employees on this job. All individuals working on this job must be full-time employees of contractor's company and covered by the company with the necessary Worker's compensation insurance, as required by the Contractor's State License Board and the State of California.
- s) Billing cycle cut off is the 25<sup>th</sup> of the month. When all cuts completed for the month have been verified, Maintenance staff will email to the Contractor the dollar amount and quantities to be invoiced. Once the Contractor and Maintenance staff determine that their amounts match, the Contractor will then generate an invoice and send it to the Maintenance staff for processing.

- t) All monthly invoices shall include a summary by grid location of the number of cuts, linear feet, inch feet, unit cost, and extended cost.
- u) A work schedule will be provided by email, fax or phone. The schedule will detail the Contractor's anticipated locations (streets or facilities) for work to be completed the following day.
- v) Work for this contract will be performed on a City-wide basis as designated by Maintenance. Within one week of completion of each day's work, contractor must provide to the city a detailed list and map including:
  - 1) Highest and lowest height and width to the neared .5 feet of each trip hazard
  - 2) Location with address and detailed description of each trip hazard.
  - 3) Cost of each trip hazard.
  - 4) List of each hazard requiring removal and replacement that contractor could not address.
  - 5) Map of the area worked with the pinpoint GPS location of every trip hazard repair from the list above in 1), including R&R locations for the city to address.
- w) The Contractor will provide an end-of-contract Project Summary Report in color (2 copies). 1 copy shall be spiral bound, or presented in another professional format. A second copy will be provided to the Maintenance staff electronically (pdf file or CD-rom).

The report shall include: a summary of the work locations (general/grids), number of trip hazards mitigated, total area (inch feet), approximate cost savings to the City of using this method over removal and replacement of the affected sidewalks, before and after photographs showing a sampling of the various work areas/types of trip hazards treated, amount of concrete recycled, a map with the GPS locations of each and every trip hazards removed during the entire job, and other pertinent information.

- x) **WORK IN BAD WEATHER**
  - 1. In the event the adverse climatic conditions are unusual or extended, an extension of time may be granted. Extension of time will be granted based on conditions meeting the definition of a Weather Day as described in the paragraph below. The Program Manager shall have the authority to suspend the work wholly or in part, for such period as he may deem necessary, due to the failure on the part of the contractor to carry out the orders given, or to perform any provisions of the contract.
  - 2. **Definition of a Weather Day:**  
A Weather Day shall be defined as any **authorized work day, excluding Saturdays, Sundays and holidays**, when the **ambient air temperature** is below 32 degrees F or raining continuously for more than 1 hour between the hours of 10:00 AM and 3:00 PM.
  - 3. If a given day is determined to be a "weather day" a letter will be written and distributed to the contractor defining those days meeting the above requirements as a weather day. Snow accumulation could qualify as a weather day.

BEFORE THE CITY COUNCIL OF THE CITY OF TURLOCK

IN THE MATTER OF AUTHORIZING THE }  
SOLE SOURCE REPAIRS TO UPLIFTED }  
SIDEWALKS IN VARIOUS LOCATIONS OF }  
THE CITY IN THE AMOUNT NOT TO }  
EXCEED \$30,000 WITH PRECISION }  
CONCRETE CUTTING (PCC) FOR THE }  
PARKS, RECREATION AND PUBLIC }  
FACILITES DIVISION, WITHOUT }  
COMPLIANCE TO THE FORMAL BID }  
PROCEDURE }

RESOLUTION NO. 2012

**WHEREAS**, uplifted sidewalks are often cited as a reason for trip and fall incidents; and

**WHEREAS**, city maintenance crews are responsible for maintaining sidewalks in and around the City facilities; and

**WHEREAS**, staff have found that the traditional method of grinding down uplifted areas or removing and replacing the effected panels of the sidewalks does not always produce the most desirable results; and

**WHEREAS**, Precision Concrete Cutting has proprietary specialized equipment to repair uplifted sidewalks; and

**WHEREAS**, this patented technology would allow the City to effectively remove the trip hazard, maintain ADA accessibility and prolong the usability of the sidewalk all at a fraction of the cost of traditional remove and repair; and

**WHEREAS**, staff feels the City should contract with Precision Concrete Cutting as a sole source contract.

**NOW, THEREFORE, BE IT RESOLVED** that the City Council of the City of Turlock does hereby authorize the sole source repairs to uplifted sidewalks in various locations of the City in the amount not to exceed \$30,000 with Precision Concrete Cutting (PCC) for the Parks, Recreation and Public Facilities Division, without compliance to the formal bid procedure,

**PASSED AND ADOPTED** at a regular meeting of the City Council of the City of Turlock this 24<sup>th</sup> day of July, 2012, by the following vote:

AYES:  
NOES:  
NOT PARTICIPATING:  
ABSENT:

ATTEST:

\_\_\_\_\_  
Kellie E. Weaver, City Clerk  
City of Turlock, County  
of Stanislaus, State of California



## Council Synopsis

5N

July 24, 2012

From: Allison Van Guilder, Parks, Recreation & Public Facilities Manager

Prepared by: Carla McLaughlin/ Presented by: Allison Van Guilder

Agendized by: Roy W. Wasden, City Manager

### 1. ACTION RECOMMENDED:

Resolution: Appropriating unspent funds from Fiscal Year 2011-12 in the total amount of \$52,134 to account numbers 506-00-000-221.51020 "Parks Equipment Replacement," 506-00-000-220.51020 "Public Facilities Equipment Replacement," 506-00-000-232.51020 "Storm Equipment Replacement," 506-00-000-231.51020 "Streets Equipment Replacement" and 506-00-000-234.51020 "Landscape Assessments Equipment Replacement" from Fund 506 "Equipment Pool Replacement's" respective reserve balances for the purchase of two (2) Ford F250 4x2 regular cab  $\frac{3}{4}$  ton pickup trucks

### 2. DISCUSSION OF ISSUE:

Orders were placed for two (2) 2012 Ford F250 4 X 2 Regular Cab  $\frac{3}{4}$  ton Pickup Trucks in April 2012.

### 3. BASIS FOR RECOMMENDATION:

Due to vendor delays, the two (2) Ford F250 4 X 2 Regular Cab  $\frac{3}{4}$  ton Pickup trucks were not received by June 30, 2012 and therefore cannot be expensed in FY 11-12. Staff is requesting appropriation of unspent funds from FY 11-12 for the purchase of these trucks.

#### Strategic Plan Initiative:

Not specifically identified within the City Strategic Plan as this item pertains to the ongoing operation and overall maintenance of City facilities and equipment.

**4. FISCAL IMPACT / BUDGET AMENDMENT:**  
**Fiscal Impact: \$52,134**

Appropriation of funds for two (2) trucks funded as follows from Fund 506  
"Equipment Pool Replacement:" reserve balances:

506-00-000-221.51020 "Parks Equipment Replacement" - \$18,247  
506-00-000-220.51020 "Public Facilities Equipment Replacement" - \$5,214  
506-00-000-232.51020 "Storm Equipment Replacement" - \$18,247  
506-00-000-231.51020 "Streets Equipment Replacement" - \$5,213  
506-00-000-234.51020 "Landscape Assessments Equipment Replacement" -  
\$5,213

**5. CITY MANAGER'S COMMENTS:**

Recommend approval.

**6. ENVIRONMENTAL DETERMINATION:**

N/A

**7. ALTERNATIVES:**

Council may choose not to appropriate the money for purchase of these trucks.  
Staff does not recommend the above since the trucks have already been ordered  
and will be ready for delivery to the City in July 2012.

BEFORE THE CITY COUNCIL OF THE CITY OF TURLOCK

IN THE MATTER OF APPROPRIATING }  
UNSPEND FUNDS FROM FISCAL YEAR }  
2011-12 IN THE TOTAL AMOUNT OF }  
\$52,134 TO ACCOUNT NUMBERS }  
506-00-000-221.51020 "PARKS EQUIPMENT }  
REPLACEMENT," 506-00-000-220.51020 }  
"PUBLIC FACILITIES EQUIPMENT }  
REPLACEMENT," 506-00-000-232.51020 }  
"STORM EQUIPMENT REPLACEMENT," }  
506-00-000-231.51020 "STREETS }  
EQUIPMENT REPLACEMENT" AND }  
506-00-000-234.51020 "LANDSCAPE" }  
ASSESSMENT EQUIPMENT }  
REPLACEMENT" FROM THEIR FUND 506 }  
"EQUIPMENT POOL REPLACEMENT'S" }  
RESPECTIVE RESERVE BALANCES FOR }  
FOR THE PURCHASE OF TWO (2) FORD }  
F250 4 X 2 REGULAR CAB ¾ TON }  
PICKUP TRUCKS }  
\_\_\_\_\_ }

RESOLUTION NO. 2012

**WHEREAS**, orders were placed for two (2) Ford F250 4 X 2 Regular Cab ¾ Ton Pickup trucks in April 2012; and

**WHEREAS**, due to vendor delays, the trucks were not received by June 30, 2012; and

**NOW, THEREFORE, BE IT RESOLVED** that the City Council of the City of Turlock does hereby authorize the appropriation of unspent funds from Fiscal Year 2011-12 in the total amount of \$52,134 for two (2) trucks funded as follows from Fund 506 "Equipment Pool Replacement's" reserve balances:

- 506-00-000-221.51020 "Parks Equipment Replacement" - \$18,247
- 506-00-000-220.51020 "Public Facilities Equipment Replacement" - \$5,214
- 506-00-000-232.51020 "Storm Equipment Replacement" - \$18,247
- 506-00-000-231.51020 "Streets Equipment Replacement" - \$5,213
- 506-00-000-234.51020 "Landscape Assessments Equipment Replacement" - \$5,213

**PASSED AND ADOPTED** at a regular meeting of the City Council of the City of Turlock this 24<sup>th</sup> day of July, 2012, by the following vote:

AYES:  
NOES:  
NOT PARTICIPATING:  
ABSENT:

ATTEST:

---

Kellie E. Weaver, City Clerk  
City of Turlock, County  
of Stanislaus, State of California



## Council Synopsis

50  
July 24, 2012

From: Robert A. Jackson, Chief of Police

Prepared by: Jeff Lopes, Police Captain

Agendized by: Roy W. Wasden, City Manager

### 1. ACTION RECOMMENDED:

Motion: Authorizing the approval and execution of an agreement between the City of Turlock and City of Modesto to provide law enforcement services in and around the X-Fest venue scheduled for August 4, 2012 in Modesto, California

### 2. DISCUSSION OF ISSUE:

The event known as X-Fest is scheduled to be held within the City of Modesto on August 4, 2012. The anticipated number of vehicles and persons drawn by that event is large enough that the City of Modesto is requesting assistance to provide adequate law enforcement services.

The City of Modesto desires to use sworn peace officers from the City of Turlock, as well as officers from other Cities, to meet that demand. The City of Modesto has presented an Agreement which covers the scope of services, terms of compensation, payment, equipment, insurance, and indemnification.

If approved, the City of Turlock would provide a minimum of two and maximum of six sworn peace officers to assist. Staff currently estimates that five sworn peace officers, including one supervisor, would be provided to assist.

### 3. BASIS FOR RECOMMENDATION:

A. City Council approval is needed to enter into and commit the City of Turlock to contracts.

#### Strategic Plan Initiative: B. FISCAL RESPONSIBILITY

Goal(s): c. Ensure the most efficient use of resources and maximize value with department budgets and develop value-added partnerships with public and private agencies, industry, and educational institutions, such as California State University Stanislaus.

**Strategic Plan Initiative:** C. PUBLIC SAFETY

**Goal(s):** b-i-b Enhance internal and external communications and teamwork

**4. FISCAL IMPACT:**

**Fiscal Impact**

Employee overtime costs for the event will initially be expended from the General Fund, Police, Patrol, Overtime Standard account – 110-20-210.4100\_001. This account has funds sufficient to cover the direct overtime costs. The Agreement provides for reimbursement to the City of Turlock for sworn peace officer time committed to the event at the overtime rate of one and one-half times the normal rate of pay for each officer, reducing the direct fiscal impact to zero.

**5. CITY MANAGER'S COMMENTS:**

Recommend approval.

**6. ENVIRONMENTAL DETERMINATION:**

N/A

**7. ALTERNATIVES:**

A. Council can direct staff to provide services at no cost to the City of Modesto.

B. Council can direct staff not to provide services to assist the City of Modesto.

## **AGREEMENT FOR POLICE SERVICES**

**THIS AGREEMENT FOR POLICE SERVICES** is made between the City of Modesto (hereinafter "CITY"), a California Municipal Corporation, and the City of Turlock (hereinafter "CONTRACTOR"), a California Municipal Corporation.

**WHEREAS** a special event known as the Extreme Festival (hereinafter X-Fest) is scheduled to be held within the City of Modesto on August 4, 2012, at which the anticipated number of vehicles and persons drawn by that event is so large as to require assistance to enable CITY to provide adequate law enforcement services;

**WHEREAS** CITY desires to use sworn peace officer personnel of CONTRACTOR to meet that demand; and,

**WHEREAS** CONTRACTOR is willing to send available sworn peace officers to provide law enforcement services in and around the X-Fest venue, and for compensation by CITY to CONTRACTOR,

**NOW, THEREFORE, THE PARTIES HERETO AGREE TO THE FOLLOWING:**

**1. Scope of Services and Term:**

CONTRACTOR agrees to provide CITY with the services of between two and six sworn peace officers on August 4, 2012 to provide law enforcement services in and around the X-Fest venue. However, CONTRACTOR shall not be required to reduce its own resources or personnel to the detriment of its own law enforcement operations on that date in order to satisfy this Agreement. If CONTRACTOR discovers that it is or will be unable to satisfy its commitment under this Agreement, CONTRACTOR shall immediately notify CITY of that fact.

OK for Signature  


**2. Terms of Compensation:**

CITY shall compensate CONTRACTOR for the services provided by CONTRACTOR'S law enforcement personnel pursuant to the Agreement at the rate on one and one-half times the normal rate of pay which each such officer earns. The time for which compensation is paid for each officer shall include one-half hour before and one-half hour after the officer commences work at the X-Fest venue.

**3. Payment by CITY:**

CITY hereby agrees that payment for law enforcement services under this Agreement shall be made to CONTRACTOR not later than thirty (30) days from the date of the mailing of an invoice by CONTRACTOR to CITY.

**4. Equipment:**

CONTRACTOR'S law enforcement personnel shall bring whatever items of personal equipment are deemed necessary for the performance of their duties under this Agreement.

**5. Workers Compensation Insurance:**

CONTRACTOR shall remain responsible for Workers Compensation Insurance coverage And benefits for its law enforcement personnel during their service under this Agreement.

**6. Defense and Indemnification:**

CONTRACTOR hereby agrees to defend, indemnify and hold harmless CITY, its officers, agents and employees from and against any claims, judgments, losses, expenses, damages and other costs incurred by CITY as a result of the negligent or intentional act or omission of CONTRACTOR or its officers, agents and employees in connection with their performance under this Agreement.

CITY hereby agrees to defend, indemnify and hold harmless CONTRACTOR, its officers,

agents and employees from and against any claims, judgments, losses, expenses, damages and other costs incurred by CONTRACTOR as a result of the negligent or intentional act or omission of CITY or its officers, agents and employees in connection with their performance under this Agreement.

**7. Independent Contractor:**

CITY and CONTRACTOR agree that the relationship between them created by this Agreement shall be that of Contracting Agency and Independent Contractor.

**8. Entire Agreement:**

This Agreement constitutes the entire agreement and understanding between the parties with respect to the subject matter herein, and supercedes and replaces any prior agreements or understanding, whether written or oral, between the parties with respect to such matters.

**9. Severability:**

Each provision of this agreement is intended to be severable. If any provision of the Agreement is deemed or held to be invalid, illegal or unenforceable by a court of competent jurisdiction, the validity, legality and enforcement ability of the remaining provisions shall not in any way be affected or impaired.

**10. Authority:**

Each person who signs this Agreement hereby represents that he or she is duly authorized by the entity on whose behalf the Agreement is signed to execute this Agreement and thereby bind that entity to its terms.

**11. Attorney's Fees:**

In the event that any legal or administrative action is commenced in order to interpret or enforce the terms of this Agreement, the prevailing party in such action shall be entitled to recover

all reasonable attorney's fees and costs incurred in pursuing such action.

**12. Venue:**

Should either party institute suit or arbitration for the enforcement or interpretation of the terms of this Agreement, the venue for such action shall be in Stanislaus County, California.

The signatures of the representatives of the parties below designates the acceptance of the terms of this Agreement, and shall make the Agreement binding on the parties effective the date of the execution hereof.

Date: \_\_\_\_\_

CITY OF MODESTO, a municipal corporation

By: \_\_\_\_\_

GREG NYHOFF  
City Manager

Approved as to form.

\_\_\_\_\_  
JAMES F. WILSON  
Senior Deputy City Attorney

Date: \_\_\_\_\_

CITY OF TURLOCK, a municipal corporation

By: \_\_\_\_\_

ROY W. WASDEN  
City Manager

Approved as to form.

\_\_\_\_\_  
PHAEDRA NORTON  
City Attorney



CLAIM FORM  
(Please type or print)

RECEIVED  
JUN 22 2012  
SP

City of Turlock  
Administrative Services

156 S. BROADWAY, SUITE 230 | TURLOCK, CALIFORNIA 95380 | PHONE 209-668-3540 | FAX 209-668-3668

CLAIM AGAINST: City of Turlock  
(Name of Entity)

Claimant's name: JESSE LEWIS HASSLER, JR., minor, through his Guardian LORI DONAHOU-COOK

SS#: Not Required by Gov. Code 910 DOB: 12/29/99 (minor) Gender: Male  Female

Claimant's address: 1108-3 Cedar Creek Drive, Modesto, CA 95355

Claimant's Telephone Number(s): (916) 379-3500 (attorney)

Address where notices about claim are to be sent, if different from above: c/o Roger A. Dreyer,  
Dreyer Babich Buccola Wood Campora, LLP, 20 Bicentennial Circle, Sacramento, CA 95826

Date of incident/accident: December 30, 2011

Date injuries, damages, or losses were discovered: December 30, 2011

Location of incident/accident: Please see attachment

What did entity or employee do to cause this loss, damage, or injury? Please see attachment

(Please use back of this form or separate sheet, if necessary, to answer this question in detail.)

What are the names of the entity's employees who caused this injury, damage, or loss (if known)?  
Please see attachment

What specific injuries, damages, or losses did claimant receive? Please see attachment

(Please use back of this form or separate sheet, if necessary, to answer this question in detail.)

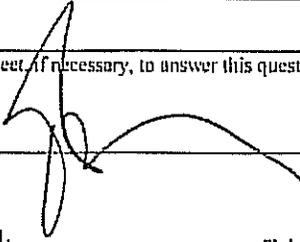
If the amount of your claim does not exceed \$10,000, state the total amount claimed: \_\_\_\_\_

If the amount of your claim exceeds \$10,000, indicate whether your claim would be a "limited civil case" (if the amount claimed does not exceed \$25,000 it is treated as a limited civil case) please check one box:

DOES NOT EXCEED \$25,000       EXCEEDS \$25,000 [see Government Code 910(f)]

How was this amount calculated (please itemize)?  
Please see attachment

(Please use back of this form or separate sheet, if necessary, to answer this question in detail.)

Date Signed: 6/21/12 Signature: 

If signed by representative:  
Print Representative's Name Roger A. Dreyer, Esq. Telephone (916) 379-3500

Address Dreyer Babich Buccola Wood Campora, LLP, 20 Bicentennial Circle, Sacramento, CA 95826

Relationship to Claimant Attorney

1 ROGER A. DREYER, ESQ. / SBN: 095462  
2 STACEY L. ROBERTS, ESQ. / SBN: 237998  
3 **DREYER BABICH BUCCOLA WOOD CAMPORA, LLP**  
4 20 Bicentennial Circle  
5 Sacramento, CA 95826  
6 Telephone: (916) 379-3500  
7 Facsimile: (916) 379-3599

8 Attorneys for Claimants

9 BEFORE THE BOARD OF SUPERVISORS  
10 CITY OF TURLOCK

11 LORI DONAHOU-COOK on behalf of  
12 Claimant JESSE LEWIS HASSLER, JR.,  
13 a minor,

**ATTACHMENT TO CLAIM FOR  
WRONGFUL DEATH DAMAGES**

14 against the  
15 CITY OF TURLOCK

---

16 **TO THE BOARD OF SUPERVISORS, CITY OF TURLOCK:**

17 LORI DONAHOU-COOK on behalf Claimant JESSE LEWIS HASSLER, JR., a minor, hereby  
18 makes a claim for damages for the wrongful death of JESSE LEWIS HASSLER, JR.'s mother,  
19 Mary Ann Donahou, as the result of an incident that occurred on December 30, 2011 on Santa  
20 Fe Avenue approximately 118 feet south of Charles Street in the City of Hughson, County of  
21 Stanislaus, State of California. Minor Claimant, JESSE LEWIS HASSLER, JR., is the sole legal  
22 heir and survivor of his mother, Decedent Mary Ann Donahou. LORI DONAHOU-COOK is the  
23 minor Claimant JESSE LEWIS HASSLER, JR.'s aunt and Decedent Mary Ann Donahou's sister  
24 and will Petition the Court to be appointed Guardian *ad Litem* of minor Claimant JESSE LEWIS  
25 HASSLER, JR. in this matter concurrently with filing of the Complaint.

26 Claimants hereby make these claims and allege as follows:

27 1. Claimant's name is JESSE LEWIS HASSLER, JR. and he resides with LORI  
28 DONAHOU-COOK. Their address is 1108-3 Cedar Creek Drive, Modesto, CA 95355.

1           2.     The address to which Claimants desire all correspondence and notices in this  
2 matter to be sent in the address of their attorney, as follows:

3                   c/o Roger A. Dreyer, Esq.  
4                   Stacey L. Roberts, Esq.  
5                   Dreyer Babich Buccola Wood Campora, LLP  
6                   20 Bicentennial Circle  
7                   Sacramento, CA 95826

8           3.     On December 30, 2010, Decedent was killed as a result of the negligent conduct  
9 of CITY OF TURLOCK employee, Elizabeth Quiroga, and possibly others as yet unknown, all of  
10 whom were employees of the CITY OF TURLOCK (including but not limited to the Turlock Police  
11 Department), acting within the course and scope of their employment. As such, the CITY OF  
12 TURLOCK is responsible to Claimant pursuant to Government Code Sections 815.2(a) and  
13 820(a). The CITY OF TURLOCK is also responsible to Claimant pursuant to California Vehicle  
14 Code Sections 17001 - 17002.

15           4.     On December 30, 2010, CITY OF TURLOCK employee Elizabeth Quiroga was  
16 operating a 2000 Suzuki Grand Vitara on Santa Fe Avenue approximately 118 feet south of  
17 Charles Street in the City of Hughson, County of Stanislaus, State of California. At the same  
18 general time and location, Decedent Mary Ann Donahou was working for the County of  
19 Stanislaus in the capacity as a Crime Scene Technician where a drive by shooting had occurred  
20 in the vicinity of 2630 Santa Fe Avenue. CITY OF TURLOCK employee Elizabeth Quiroga, in the  
21 course and scope of her employment with the CITY OF TURLOCK / Turlock Police Department  
22 negligently collided with pedestrian Mary Ann Donahou, thereby causing Mary Ann Donahou's  
23 death and damages to minor Claimant JESSE LEWIS HASSLER, JR.

24           5.     As a direct result of the subject incident, minor Claimant JESSE LEWIS  
25 HASSLER, JR. sustained all elements of wrongful death damages as described in CACI 3921,  
26 including but not limited to, economic damages consisting of (1) the value of lost financial and  
27 other support from the Decedent, (2) the value of gifts or benefits that the Decedent would  
28 have provided, (3) the value of funeral and burial expenses, and (4) the reasonable value of  
household services that the Decedent would have provided. Minor Claimant JESSE LEWIS  
HASSLER, JR. sustained non-economic damages consisting of loss of the Decedent's love,

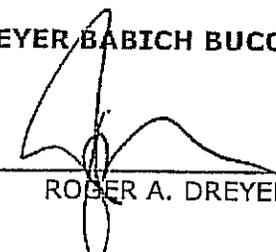
1 companionship, comfort, care, assistance, protection, affection, society, moral support,  
2 training and guidance. Minor Claimant JESSE LEWIS HASSLER, JR.'s damages exceed  
3 \$10,000. This will be an unlimited civil case.

4 WHEREFORE, LORI DONAHOU-COOK on behalf of Claimant JESSE LEWIS HASSLER, JR.,  
5 a minor, requests that the CITY OF TURLOCK approve this Claim.

6 DATED: 10-21-12

**DREYER BABICH BUCCOLA WOOD CAMPORA, LLP**

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8 By:

  
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## Council Synopsis

July 24, 2012

From: Michael G. Pitcock, P.E.  
Director of Development Services / City Engineer

Prepared by: Dawn Corbett, Staff Services Assistant

Agendized by: Roy W. Wasden, City Manager

### 1. ACTION RECOMMENDED:

Resolution: Confirming diagrams, assessments and reports and levying assessments for Fiscal Year 2012/13 for all Lighting, Landscaping and Street Maintenance Benefit areas within the City of Turlock

### 2. DISCUSSION OF ISSUE:

Pursuant to the Landscaping and Lighting Act of 1972 and the provisions of the Benefit Assessment Act of 1982, the City Council of the City of Turlock directed Michael G. Pitcock, Engineer of Work for all assessment districts within the City of Turlock, to prepare and file annual reports for fiscal year 2012/13, and will impose these annual assessments within each assessment district listed on attached Exhibits A and B. The Engineer did file an annual report for each assessment district on June 26, 2012, and the City adopted a resolution of intention to levy and collect the assessments for fiscal year 2012/13 and set a public hearing to be held July 24, 2012 at city hall. The notice of this hearing was given in the time and manner required by law.

### 3. BASIS FOR RECOMMENDATION:

- A) Staff recommends confirming diagrams, assessments and reports and levying assessments for fiscal year 2012/13.
- B) City will receive funds from the county tax assessor for the maintenance of city streetlights, landscaping, and streets.

**Strategic Plan Initiative:** F. INTELLIGENT, PLANNED, MANAGED GROWTH

**Goal(s):** c. Ensure that all new growth pays for itself (Assessment Districts, CFF/PAF, CFD)

**4. FISCAL IMPACT / BUDGET AMENDMENT:**

Fiscal Impact: Approximately \$2,400,000 in revenue to fund number 246.

**5. CITY MANAGER'S COMMENTS:**

Recommend approval.

**6. ENVIRONMENTAL DETERMINATION:**

Not applicable

**7. ALTERNATIVES:**

Council may not approve the filing. Staff does not recommend this action where as, the city can use this money for the maintenance of the streetlights, landscaping, street sweeping and the slurry of streets.

BEFORE THE CITY COUNCIL OF THE CITY OF TURLOCK

IN THE MATTER OF CONFIRMING }  
DIAGRAMS, ASSESSMENTS AND }  
REPORTS AND LEVYING ASSESSMENTS }  
FOR FISCAL YEAR 2012/13 FOR ALL }  
LIGHTING, LANDSCAPING AND STREET }  
MAINTENANCE BENEFIT AREAS WITHIN }  
THE CITY OF TURLOCK }  
\_\_\_\_\_ }

RESOLUTION NO. 2012-

**WHEREAS**, pursuant to the Landscaping and Lighting Act of 1972 and the provisions of the Benefit Assessment Act of 1982, the City Council of the City of Turlock directed Michael G. Pitcock, Engineer of Work for all assessment districts within the City of Turlock, to prepare and file annual reports for fiscal year 2012/2013, and does hereby impose these annual assessments within each assessment district listed on attached Exhibits A and B; and

**WHEREAS**, the Engineer of Work did file an annual report for each assessment district on June 26, 2012, and the City Council of the City of Turlock adopted a resolution of intention to levy and collect assessments within these districts for fiscal year 2012/2013 and set a public hearing to be held July 24, 2012 in the Yosemite Room on the 2<sup>nd</sup> floor of Turlock City Hall, 156 S. Broadway, Turlock, California, and a notice of this hearing was given in the time and manner required by law; and

**WHEREAS**, at the public hearing the City Council of the City of Turlock afforded to every interested person an opportunity to make a protest to the annual reports either in writing or orally, and the City Council has considered each protest; and

**WHEREAS**, the City Council of the City of Turlock hereby confirms the diagrams, assessments and reports of the Engineer of Work. It is further determined and certified that these assessment district charges are either exempt from, or are in compliance with all the provisions of Proposition 218, which was passed by the voters in November 1996; and

**WHEREAS**, on Tuesday, the 24th day of July, at the hour of 7:00 p.m., the City Council of the City of Turlock will conduct a public hearing on the question of the levy of the proposed annual assessment for each district; and

**WHEREAS**, the charges against the real property are not levied with regard to property values but rather, are based on the landscaping, lighting and street maintenance performed within the area.

**NOW, THEREFORE, BE IT RESOLVED** that the City Council of the City of Turlock does hereby confirm the diagrams, assessments and reports of the Engineer of Work and hereby levies the assessments set forth therein for the fiscal year 2012/2013.

**BE IT FURTHER RESOLVED** that the City Council of the City of Turlock also directs the City Engineer to file, or cause to be filed, a certified copy of this resolution and the report for each assessment district with the tax collector for the County of Stanislaus.

**PASSED AND ADOPTED** at a regular meeting of the City Council of the City of Turlock this 24<sup>th</sup> day of July, 2012 by the following vote:

AYES:  
NOES:  
NOT PARTICIPATING:  
ABSENT:

ATTEST:

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Kellie E. Weaver, City Clerk,  
City of Turlock, County of Stanislaus,  
State of California

EXHIBIT "A"

1972 Landscaping and Lighting Act Assessment Districts		
Arlinda Estates	Baptista Estates	Baptista Estates No. 2
Campus Park	Centennial Place No. 2	Countryside Estates No. 1
Countryside Estates No. 2	Countryside Estates No. 3	Countryside Plaza
Delta National Bank	Ferreira Ranch Estates No.1	Ferreira Ranch Estates No. 2
Ferreira Ranch Estates No. 3	Ferreira Ranch Estates No. 4	Forest Oaks No. 2
Gemstone Estates	Heartland Estates	Hervey Estates
Legends 1 and 2	Legends 3	Legends 4
Legends 6	L & M Industrial Park	Monte Vista Crossings
Monte Vista Estates	Monte Vista Manor	Monte Vista Village
Northview Meadows No. 2	Northview Meadows No. 3	Old Vineyard
Pinecrest Estates No. 1	Pinecrest Estates No. 2	Pinecrest Estates No. 3
Parcel Map 97-07	Promenade	Rhodes Estates
Rolling Hills	Denny's and Jack-In-the-Box	Sterling Oaks No. 1
Sterling Oaks No. 2	Sunridge South	Swan Park Estates
Traditions No. 1	Traditions No. 2	Traditions No. 3
Turlock Auto Plaza	Wyndfair Estates	Olive Grove Manor
Northern Sunrise Estates Phase 1	Northern Sunrise Estates Phase 2	Northern Sunrise Estates Phase 2A
Northern Sunrise Estates Phase 3	Northern Sunrise Estates Phase 4	Sharkey's Billards Parcel Map 00-09
Ferreira Ranch Estates No. 5	Countryside Estates No. 4	Campus Vista
Autumn Brook No. 1	Winter Haven No. 1	Winter Haven No. 2
Niniv Tamimi Parcel Map 01-01	Monte Vista Crossing North	Makoor Estates
Lauren Estates	Sterling Oaks No. 4	Traditions No. 4 & 5
Autumn Brook No. 2	Claremont Meadows	Dewar Estates No. 1
Dewar Estates No. 2	Festival	Heirlooms No. 1
Heirlooms No. 2	Huntington Estates No. 1	Lauren Estates No. 2
Legends No. 7	Rose Cottages No. 2	Rose Cottages No. 3
Rose Walk No. 1	Danielle Estates	Turlock Multi-Family
Bandera	Glenwood Park	Mooneyham Estates
Rosewalk No.'s 2, 3, 4	Perriera No.'s 1 & 2	Johnson Estates
Southern Belle Estates	Sterling Oaks No. 5	Heirlooms No. 3
Huntington Estates	Dewar Estates No. 3	Cedarcrest No. 1
Freitas Business Park	Lewis Terrace Estates	Bandera #2
Gabrielle Estates	Sterling Oaks #6	Balboa Park
Pereira #3	Rose Walk #5	Ashley Estates
College Plaza PM 04-02	Danielle Estates #2	Lauren Estates No. 3
Lauren Estates No. 4	Tiffany Park	Ventana
Cimarron No. 1	Cimarron No. 2	Rose Classics at Voumard

The Estates at Voumard	PM 04-09 (Gwin)	Turlock 99 Business Park
Amberwood	Valley Ventures PM 04-05	Colorado Springs
Health & Wellness Center	Liberty Industrial Park	Cedarcrest No. 2
Apple Lane Estates	Kandola	Milestone
Legends North No. 1	Palermo (DeLaMotte)	Calista Estates
Legends North No. 2	Vermont Villas	Turlock Village
Northlock Industrial Park	Villagio	Victoria Estates
Asoofi Subdivision	PM 05-01 Emanuel	PM 05-03 Byung
PM 05-07 Hawkeye Shopping Center	PM 05-09 Lewis	Dianne Business Park
J & R Investments Industrial Park	Montana Estates	Summerfield
Turlock Park Villas	Legends North No. 4	Del's Lane Townhomes
Sierra Oak Apartments	PM 05-12 Heritage	PM 05-17 Tiarre Development
PM 97-06 Kevin Berger	Cottage Park	US Cold Storage

**EXHIBIT "B"**

**Benefit Assessment Act of 1982 Assessment Districts**

Added Space		
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Commercial Center	Alpine Estates	Anderson Estates
Arbor No. 10	Berkeley Woods	Bristol Park
Cambridge Place No. 6	Chakkar Estates No. 2	Champagne Estates
Christel Estates	Eastbrook Estates	Elizabeth Court
Forest Oaks Estates	Gerald Court	Hollis Manor
Kensington Estates	Kirkwood Estates	Lewis Street Manor
Linwood Estates	Linwood Estates No. 3	McDonald Manor
North Berkeley Estates	Northview Meadows	North Olive Estates 3 and 4
Oak Park	Oleander Gardens	Pineridge Place
Pleasant Valley	Royal Oaks	Silverado Heights
Stoneridge	Summer Faire	Thorsen Estates No. 2
Tuolumne East Estates	Vasconcellos Estates	Venture Park
Villa Woods	Walnut Acres No. 2	West Main/Walnut Road

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## Council Synopsis

July 24, 2012

From: Dan Madden, Municipal Services Director

Prepared by: Marie Lorenzi, Senior Accountant

Agendized by: Roy Wasden, City Manager

### 1. ACTION RECOMMENDED:

Resolution: Authorizing the Form of and Authorizing the Execution and Delivery of an Indenture, a Master Installment Purchase Agreement, a 2012 Supplement thereto, a Bond Purchase Contract, a Continuing Disclosure Agreement and an Official Statement relating to an Installment Purchase Financing and Approving certain actions in connection therewith

### 2. DISCUSSION OF ISSUE:

In 1999 and 2003 the Turlock Public Financing Authority issued Sewer Revenue Bonds, the proceeds of which were loaned to the City to be used to construct improvements related to the City's Regional Water Quality Control Facility. Sewer system revenues were pledged as the repayment source for both these bond issuances. As of June 30, 2012, the outstanding principal related to these bonds is \$16,470,000 for the 1999 Bonds and \$43,355,000 for the 2003 Bonds. The interest costs for both these bonds is significantly higher than current market interest rates and Staff is proposing the refunding (refinancing) of the outstanding bonds to take advantage of the near historic low interest rate environment.

In order to proceed with this refunding, the following documents are before Council for approval. The same documents are also before the Turlock Public Financing Authority Board of Directors for approval.

- ✓ Indenture between the Turlock Public Financing Authority and U.S. Bank National Association (City's third party trustee);
- ✓ Master Installment Purchase Agreement between the City of Turlock and the Turlock Public Financing Authority;
- ✓ 2012 Supplement to the Master Installment Purchase Agreement between the City of Turlock and the Turlock Public Financing Authority;
- ✓ Bond Purchase Contract among E.J. De La Rosa, Co. (underwriter), the Turlock Public Financing Authority and the City of Turlock;
- ✓ Continuing Disclosure Agreement between the City of Turlock and U.S. Bank National Association; and
- ✓ Official Statement

City Staff – along with its financing team of First Southwest Company (financial advisor), Orrick, Herrington and Sutcliff, LLP (bond counsel), E.J. De La Rosa & Co. (underwriter), and Stradling Yocca Carlson & Rauth (disclosure counsel) – have been meeting to discuss the refunding as well as the current economic climate for a tax-exempt bond issuance and other issues that would need to be resolved prior to actually issuing the bonds. The results of these

meetings are the bond documents currently before the Council along with related items on the agenda of the Turlock Public Financing Authority (Authority) for review and approval.

**3. BASIS FOR RECOMMENDATION:**

As noted above, the current interest rate environment is at near historic low levels. The refunding of the outstanding bonds would allow the City and Authority to take advantage of this environment. In addition, the current Sewer Revenue Bond documents were first drafted in the 1990's. Since the proposal before the City Council is to refinance all of the outstanding Sewer Revenue Bonds, we also have the option to update some outdated provisions of the bonds documents.

**4. FISCAL IMPACT / BUDGET AMENDMENT:**

The current coupon rates for the outstanding 1999 and 2003 Bonds range from 4.00% to 5.5% with the higher interest rates being for the later maturities. The 1999 Bonds currently mature in September 2029 and the 2003 Bonds currently mature in September 2033. Current combined annual debt service on the two bonds is just under \$4.8 million.

The refunding proposes coupon rates ranging from 2% to 5%. The all in interest rate for the refunding is 3.41% which is 1.67% below the 5.08% average interest cost for the existing bonds. The final maturity for these bonds would be March 2034 and the annual debt service would approximate \$4 million for the next 12 years and then would decrease to varying amounts for the final 9 years the refunding bonds are outstanding. When this debt service is combined with the debt service requirements of the State Revolving Fund (SRF) loans recently entered into for the construction of the Harding Drain Bypass project and for improvements to various treatment processes at the RWQCF, total debt service will approximate \$6.8 million when the repayment for the SRF loans begins in fiscal 2014-15.

Based on the proposed interest rates, the refunding will provide current annual savings of approximately \$750,000 in debt service payments. The overall net present value savings over the life of the outstanding bonds (including the lost interest earnings on the debt service reserve funds) is projected to be just under \$4 million.

Attached to this Synopsis are schedules showing the current debt service requirements through maturity and the proposed debt service requirements. Debt service payments are included in the annual operating budget for Water Quality Control (Fund 410). The costs of issuance will be paid out of proceeds from the Sewer Revenue Bonds.

No General Fund dollars will be used for the annual debt service or cost of issuance.

**5. CITY MANAGER COMMENTS:**

Recommend approval

**6. ENVIRONMENTAL DETERMINATION:**

Not applicable at this point in the process.

**7. ALTERNATIVES:**

No alternative is recommended since the refunding proposal reduces overall and annual costs for the Water Quality Control (Fund 410) operating budget.

**City of Turlock**  
**Current Debt Service Supported by Sewer System Revenues**

Debt Service for 1999 and 2003 Revenue Bonds				Debt Service for SRF Loans			Grand Total
Pmt Date	Prin Pmt	Int Pmt	Fiscal Year Total	Pmt Date	\$20 m Principal	\$24 m Principal	
15-Mar-12							
15-Sep-12	1,810,000.00	1,499,320.00					
15-Mar-13		1,459,820.00	4,769,140.00				4,769,140.00
15-Sep-13	1,900,000.00	1,459,820.00					
15-Mar-14		1,411,970.00	4,771,790.00				4,771,790.00
15-Sep-14	1,995,000.00	1,411,970.00					
15-Mar-15		1,367,305.62	4,774,275.62	15-Feb-15	1,280,754.65	1,539,969.88	7,595,000.15
15-Sep-15	2,085,000.00	1,367,305.62					
15-Mar-16		1,319,124.38	4,771,430.00	15-Feb-16	1,280,754.65	1,539,969.88	7,592,154.53
15-Sep-16	2,190,000.00	1,319,124.38					
15-Mar-17		1,268,144.37	4,777,268.75	15-Feb-17	1,280,754.65	1,539,969.88	7,597,993.28
15-Sep-17	2,290,000.00	1,268,144.38					
15-Mar-18		1,213,894.37	4,772,038.75	15-Feb-18	1,280,754.65	1,539,969.88	7,592,763.28
15-Sep-18	2,400,000.00	1,213,894.38					
15-Mar-19		1,155,935.00	4,769,829.38	15-Feb-19	1,280,754.65	1,539,969.88	7,590,553.91
15-Sep-19	2,520,000.00	1,155,935.00					
15-Mar-20		1,091,025.00	4,766,960.00	15-Feb-20	1,280,754.65	1,539,969.88	7,587,684.53
15-Sep-20	2,660,000.00	1,091,025.00					
15-Mar-21		1,022,000.00	4,773,025.00	15-Feb-21	1,280,754.65	1,539,969.88	7,593,749.53
15-Sep-21	2,795,000.00	1,022,000.00					
15-Mar-22		949,462.50	4,766,462.50	15-Feb-22	1,280,754.65	1,539,969.88	7,587,187.03
15-Sep-22	2,950,000.00	949,462.50					
15-Mar-23		872,887.50	4,772,350.00	15-Feb-23	1,280,754.65	1,539,969.88	7,593,074.53
15-Sep-23	3,105,000.00	872,887.50					
15-Mar-24		792,287.50	4,770,175.00	15-Feb-24	1,280,754.65	1,539,969.88	7,590,899.53
15-Sep-24	3,270,000.00	792,287.50					
15-Mar-25		707,387.50	4,769,675.00	15-Feb-25	1,280,754.65	1,539,969.88	7,590,399.53
15-Sep-25	2,900,000.00	707,387.50					
15-Mar-26		632,925.00	4,240,312.50	15-Feb-26	1,280,754.65	1,539,969.88	7,061,037.03
15-Sep-26	3,055,000.00	632,925.00					
15-Mar-27		554,475.00	4,242,400.00	15-Feb-27	1,280,754.65	1,539,969.88	7,063,124.53
15-Sep-27	3,220,000.00	554,475.00					
15-Mar-28		471,775.00	4,246,250.00	15-Feb-28	1,280,754.65	1,539,969.88	7,066,974.53
15-Sep-28	3,390,000.00	471,775.00					
15-Mar-29		384,700.00	4,246,475.00	15-Feb-29	1,280,754.65	1,539,969.88	7,067,199.53
15-Sep-29	3,565,000.00	384,700.00					
15-Mar-30		293,125.00	4,242,825.00	15-Feb-30	1,280,754.65	1,539,969.88	7,063,549.53
15-Sep-30	2,715,000.00	293,125.00					
15-Mar-31		225,250.00	3,233,375.00	15-Feb-31	1,280,754.65	1,539,969.88	6,054,099.53
15-Sep-31	2,855,000.00	225,250.00					
15-Mar-32		153,875.00	3,234,125.00	15-Feb-32	1,280,754.65	1,539,969.88	6,054,849.53
15-Sep-32	3,000,000.00	153,875.00					
15-Mar-33		78,875.00	3,232,750.00	15-Feb-33	1,280,754.65	1,539,969.88	6,053,474.53
15-Sep-33	3,155,000.00	78,875.00					
			3,233,875.00	15-Feb-34	1,280,754.56	1,539,969.84	6,054,599.40
<b>Total</b>	<b>59,825,000.00</b>	<b>36,351,807.50</b>	<b>96,176,807.50</b>		<b>25,615,092.91</b>	<b>30,799,397.56</b>	<b>152,591,297.97</b>

Outstanding Principal - June 30, 2012

1999 Bonds	\$16,470,000.00
2003 Bonds	\$43,355,000.00
	<u>\$59,825,000.00</u>

**City of Turlock**  
**Proposed Debt Service Supported by Sewer System Revenues**

Debt Service for 2012 Revenue Bonds				Debt Service for SRF Loans			Grand Total
Pmt Date	Prin Pmt	Int Pmt	Fiscal Year Total	Pmt Date	\$20 m Principal	\$24 m Principal	
15-Mar-13		1,131,952.50	1,131,952.50				1,131,952.50
15-Sep-13		1,078,050.00					
15-Mar-14	1,835,000.00	1,078,050.00	3,991,100.00				3,991,100.00
15-Sep-14		1,059,700.00					
15-Mar-15	1,880,000.00	1,059,700.00	3,999,400.00	15-Feb-15	1,280,754.65	1,539,969.88	6,820,124.53
15-Sep-15		1,031,500.00					
15-Mar-16	1,930,000.00	1,031,500.00	3,993,000.00	15-Feb-16	1,280,754.65	1,539,969.88	6,813,724.53
15-Sep-16		1,002,550.00					
15-Mar-17	1,995,000.00	1,002,550.00	4,000,100.00	15-Feb-17	1,280,754.65	1,539,969.88	6,820,824.53
15-Sep-17		972,625.00					
15-Mar-18	2,050,000.00	972,625.00	3,995,250.00	15-Feb-18	1,280,754.65	1,539,969.88	6,815,974.53
15-Sep-18		931,625.00					
15-Mar-19	2,125,000.00	931,625.00	3,988,250.00	15-Feb-19	1,280,754.65	1,539,969.88	6,808,974.53
15-Sep-19		889,125.00					
15-Mar-20	2,210,000.00	889,125.00	3,988,250.00	15-Feb-20	1,280,754.65	1,539,969.88	6,808,974.53
15-Sep-20		844,925.00					
15-Mar-21	2,305,000.00	844,925.00	3,994,850.00	15-Feb-21	1,280,754.65	1,539,969.88	6,815,574.53
15-Sep-21		798,825.00					
15-Mar-22	2,390,000.00	798,825.00	3,987,650.00	15-Feb-22	1,280,754.65	1,539,969.88	6,808,374.53
15-Sep-22		751,025.00					
15-Mar-23	2,495,000.00	751,025.00	3,997,050.00	15-Feb-23	1,280,754.65	1,539,969.88	6,817,774.53
15-Sep-23		701,125.00					
15-Mar-24	2,585,000.00	701,125.00	3,987,250.00	15-Feb-24	1,280,754.65	1,539,969.88	6,807,974.53
15-Sep-24		636,500.00					
15-Mar-25	2,715,000.00	636,500.00	3,988,000.00	15-Feb-25	1,280,754.65	1,539,969.88	6,808,724.53
15-Sep-25		568,625.00					
15-Mar-26	2,325,000.00	568,625.00	3,462,250.00	15-Feb-26	1,280,754.65	1,539,969.88	6,282,974.53
15-Sep-26		510,500.00					
15-Mar-27	2,440,000.00	510,500.00	3,461,000.00	15-Feb-27	1,280,754.65	1,539,969.88	6,281,724.53
15-Sep-27		449,500.00					
15-Mar-28	2,570,000.00	449,500.00	3,469,000.00	15-Feb-28	1,280,754.65	1,539,969.88	6,289,724.53
15-Sep-28		385,250.00					
15-Mar-29	2,695,000.00	385,250.00	3,465,500.00	15-Feb-29	1,280,754.65	1,539,969.88	6,286,224.53
15-Sep-29		317,875.00					
15-Mar-30	2,825,000.00	317,875.00	3,460,750.00	15-Feb-30	1,280,754.65	1,539,969.88	6,281,474.53
15-Sep-30		247,250.00					
15-Mar-31	2,295,000.00	247,250.00	2,789,500.00	15-Feb-31	1,280,754.65	1,539,969.88	5,610,224.53
15-Sep-31		189,875.00					
15-Mar-32	2,410,000.00	189,875.00	2,789,750.00	15-Feb-32	1,280,754.65	1,539,969.88	5,610,474.53
15-Sep-32		129,625.00					
15-Mar-33	2,530,000.00	129,625.00	2,789,250.00	15-Feb-33	1,280,754.65	1,539,969.88	5,609,974.53
15-Sep-33		66,375.00					
15-Mar-34	2,655,000.00	66,375.00	2,787,750.00	15-Feb-34	1,280,754.56	1,539,969.84	5,608,474.40
<b>Total</b>	<b>49,260,000.00</b>	<b>28,256,852.50</b>	<b>77,516,852.50</b>		<b>25,615,092.91</b>	<b>30,799,397.56</b>	<b>133,931,342.97</b>

Outstanding Principal - June 30, 2012  
1999 Bonds \$16,470,000.00  
2003 Bonds \$43,355,000.00  
\$59,825,000.00

BEFORE THE CITY COUNCIL OF THE CITY OF TURLOCK

IN THE MATTER OF AUTHORIZING THE FORM OF }  
AND AUTHORIZING THE EXECUTION AND DELIVERY }  
OF AN INDENTURE, A MASTER INSTALLMENT }  
PURCHASE AGREEMENT, A 2012 SUPPLEMENT }  
THERETO, A BOND PURCHASE CONTRACT, A }  
CONTINUING DISCLOSURE AGREEMENT AND AN }  
OFFICIAL STATEMENT RELATING TO AN }  
INSTALLMENT PURCHASE FINANCING AND }  
APPROVING CERTAIN ACTIONS IN CONNECTION }  
THEREWITH }

RESOLUTION NO. 2012 -

**WHEREAS**, the City of Turlock (the "City") and the former Turlock Redevelopment Agency entered into a Joint Exercise of Powers Agreement establishing the Turlock Public Financing Authority (the "Authority"), a California joint exercise of powers entity duly organized to provide financial assistance to the City; and

**WHEREAS**, the City has previously acquired, constructed, installed and improved its sewer system (the "Project"); and

**WHEREAS**, in order to effect such acquisition, construction, installation and improvement, the Authority has previously sold components of the Project to the City pursuant to a Master Installment Purchase Agreement, dated as of September 1, 1999 (as supplemented and amended, the "Prior Installment Purchase Agreement"); and

**WHEREAS**, to provide funds for the purchase of various components of the Project, in order that such components of the Project could be sold to the City pursuant to the Prior Installment Purchase Agreement, the Authority previously issued its Sewer Revenue Bonds, Series 1999 and its Sewer Revenue Bonds, Series 2003A (collectively, the "Prior Bonds"); and

**WHEREAS**, the Authority and the City now desire to refinance the outstanding payments for the purchase of the components of the Project previously sold by the Authority to the City pursuant to the Prior Installment Purchase Agreement by refunding the outstanding Prior Bonds;

**WHEREAS**, in order to effectuate such refunding, the City proposes to purchase such components of the Project from the Authority pursuant to a new Master Installment Purchase Agreement (the "Installment Purchase Agreement"), as supplemented by a 2012 Supplement thereto (the "2012 Supplement") and as subsequently amended and supplemented from time to time; and

**WHEREAS**, under the Installment Purchase Agreement and the 2012 Supplement, the City will be obligated to make installment payments to the Authority for the purchase of components of the Project; and

**WHEREAS**, to provide funds to refinance the outstanding payments under the Prior Installment Purchase Agreement and refund the outstanding Prior Bonds, the Authority desires to issue its Sewer Revenue Bonds, Series 2012 (the "Bonds"); and

**WHEREAS**, in order to provide for the authentication and delivery of the Bonds, to establish and declare the terms and conditions upon which the Bonds are to be issued and secured and to secure the repayment thereof, it is proposed that the Authority and U.S. Bank National Association (the "Trustee") enter into an Indenture (the "Indenture"); and

**WHEREAS**, to facilitate compliance by the underwriter for the Bonds (the "Underwriter") with the provisions of Rule 15c2-12 of the Securities and Exchange Commission, it is proposed that the City and the Trustee, as Dissemination Agent, enter into a Continuing Disclosure Agreement (as defined below);

**NOW, THEREFORE, BE IT RESOLVED**, by the City Council of the City of Turlock as follows:

Section 1. The method of refinancing the acquisition, construction, installation and improvement of the components of the Project originally financed with the proceeds of the Prior Bonds through the issuance by the Authority of the Bonds in the aggregate principal amount of not to exceed: (a) in the event that no debt service reserve fund is funded for the Bonds, \$60,000,000; or (b) in the event that a debt service reserve fund is funded for the Bonds, \$65,000,000, is hereby approved.

Section 2. The form of Indenture, a copy of which is on file in the office of the City Clerk of the City or his or her designee (the "City Clerk") and submitted to this meeting, is hereby approved. The Mayor, the City Manager and the designees of either of them (each, an "Authorized Officer"), each acting alone, are hereby authorized and directed, for and in the name of and on behalf of the City, to execute the Indenture, acknowledging the obligation of the City to be bound by certain provisions of the Indenture with respect to disbursement of moneys in the Acquisition Fund (as defined in the Indenture), and the City Clerk is authorized to attest thereto, with such additions and changes therein (including, but not limited to, any additions or changes necessary to provide for the funding of a debt service reserve fund for the Bonds) as the Authorized Officer executing the same shall approve, with the advice of counsel, as being in the best interests of the City, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 3. The form of Master Installment Purchase Agreement, a copy of which is on file in the office of the City Clerk and submitted to this meeting, is hereby approved. The Authorized Officers, each acting alone, are hereby authorized and directed, for and in the name of and on behalf of the City, to execute the Master Installment Purchase Agreement, and the City Clerk is authorized to attest thereto, with such additions and changes therein (including, but not limited to, any additions or changes necessary to provide for the funding of a debt service reserve fund for the Bonds) as the Authorized Officer executing the same shall approve, with the advice of counsel, as being in the best interests of the City, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 4. The form of the 2012 Supplement, a copy of which is on file in the office of the City Clerk and submitted to this meeting, is hereby approved. The Authorized Officers, each acting alone, are hereby authorized and directed, for and in the name and on behalf of the City to execute and deliver the 2012 Supplement, and the City Clerk is authorized to attest thereto, with such additions and changes therein (including, but not limited to, any additions or changes necessary to provide for the funding of a debt service reserve fund for the Bonds) as the Authorized Officer executing the same shall approve, with the advice of counsel, as being in the best interests of the City, such approval to be conclusively evidenced by the execution and

delivery thereof; provided, that the installment payments to be contained in the 2012 Supplement shall be determined or approved by the City Manager of the City or the designee thereof (the "City Manager") upon the sale of the Bonds, but the principal portion thereof shall not exceed: (a) in the event that no debt service reserve fund is funded for the Bonds, \$60,000,000 in aggregate principal amount; or (b) in the event that a debt service reserve fund is funded for the Bonds, \$65,000,000 in aggregate principal amount and, in either case, shall be for a term ending not later than March 15, 2034.

Section 5. The form of Bond Purchase Contract relating to the sale of the Bonds (the "Bond Purchase Contract"), among the Underwriter, the Authority and the City, a copy of which is on file in the office of the City Clerk and submitted to this meeting, is hereby approved. The Authorized Officers, each acting alone, are hereby authorized and directed, for and in the name and on behalf of the City, to execute and deliver the Bond Purchase Contract, and the City Clerk is authorized to attest thereto, with such additions and changes therein (including, but not limited to, any additions or changes necessary to provide for the funding of a debt service reserve fund for the Bonds) as the Authorized Officer executing the same shall approve, with the advice of counsel, as being in the best interests of the City, such approval to be conclusively evidenced by the execution and delivery thereof; provided, that the Bonds shall bear interest at a true interest cost not to exceed 4.00% per annum and the Bond Purchase Contract shall provide for an underwriter's discount of not more than 0.50% of the principal amount of the Bonds.

Section 6. The form of the preliminary official statement relating to the Bonds (the "Preliminary Official Statement"), a copy of which is on file in the office of the City Clerk and submitted to this meeting, is hereby approved, with such additions and changes (including, but not limited to, any additions or changes necessary to provide for the funding of a debt service reserve fund for the Bonds) as may be approved, with the advice of counsel, by any Authorized Officer. The Authorized Officers, each acting alone, are hereby authorized on behalf of the City to certify to potential purchasers of the Bonds that the Preliminary Official Statement is deemed "final" for the purposes of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 (the "Rule") (except for the omission of certain final pricing, rating and related information as permitted by the Rule). The Authorized Officers, each acting alone, are hereby authorized and directed to execute and deliver to the City and the Underwriter a final Official Statement (the "Official Statement") in substantially the form of the Preliminary Official Statement, with such additions and changes (including, but not limited to, any additions or changes necessary to provide for the funding of a debt service reserve fund for the Bonds) as the Authorized Officer executing the same shall approve, with the advice of counsel, as being in the best interests of the City, such approval to be conclusively evidenced by the execution of said Official Statement. The printing, delivery and distribution of the Preliminary Official Statement and the Official Statement is hereby approved, and the Underwriter is hereby authorized to distribute copies of the Preliminary Official Statement and the Official Statement to persons who may be interested in the purchase of the Bonds and is directed to deliver copies of the Official Statement to all purchasers of the Bonds.

Section 7. The form of the Continuing Disclosure Agreement (the "Disclosure Agreement"), by and between the City and the Trustee, as Dissemination Agent, relating to the Bonds, a copy of which is attached to the Preliminary Official Statement on file in the office of the City Clerk and submitted to this meeting, is hereby approved. The Authorized Officers, each acting alone, are hereby authorized and directed, for and in the name of and on behalf of the City, to execute and deliver the Disclosure Agreement, and the City Clerk is authorized to attest thereto, with such additions and changes therein (including, but not limited to, any additions or

changes necessary to provide for the funding of a debt service reserve fund for the Bonds) as the Authorized Officer executing the same shall approve, with the advice of counsel, as being in the best interests of the City, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 8. All actions heretofore taken by any officers, employees or agents of the City with respect to the issuance, delivery or sale of the Bonds, or in connection with or related to any of the documents referenced herein or the refinancing of the portions of the Project financed with the proceeds of the Prior Bonds, are hereby approved, confirmed and ratified; and the Authorized Officers are hereby authorized and directed, for and in the name and on behalf of the City, to do any and all things and take any and all actions and execute and deliver any and all certificates, agreements and other documents (including but not limited to a Tax Certificate and Agreement and any escrow agreements), which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and delivery of the Bonds, the disbursement of proceeds thereof in accordance with this Resolution and the refunding of the Prior Bonds.

Section 9. This Resolution shall take effect immediately upon its adoption.

**PASSED AND ADOPTED** at a regular meeting of the City Council of the City of Turlock this 24th day of July, 2012 by the following vote:

AYES:  
NOES:  
ABSTAIN:  
NOT PARTICIPATING:  
ABSENT

ATTEST:

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Kellie E. Weaver  
City Clerk, City of Turlock,  
County of Stanislaus, State of California

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INDENTURE  
between the  
TURLOCK PUBLIC FINANCING AUTHORITY

and

U.S. BANK NATIONAL ASSOCIATION  
as Trustee

Dated as of September 1, 2012

relating to:

[\$[PRINCIPAL AMOUNT]  
Turlock Public Financing Authority  
Sewer Revenue Bonds, Series 2012  
And  
Additional Bonds

# TABLE OF CONTENTS

Page

## ARTICLE I

### DEFINITIONS; EQUAL SECURITY

SECTION 1.01.	Definitions .....	2
SECTION 1.02.	Equal Security .....	14

## ARTICLE II

### ISSUANCE OF 2012 Bonds; REGISTRATION AND TRANSFER OF BONDS

SECTION 2.01.	Authorization and Purpose of 2012 Bonds.....	14
SECTION 2.02.	Execution of 2012 Bonds .....	15
SECTION 2.03.	Transfer and Payment of Bonds .....	15
SECTION 2.04.	Exchange of Bonds.....	15
SECTION 2.05.	Bond Registration Books.....	16
SECTION 2.06.	Mutilated, Destroyed, Stolen or Lost Bonds .....	16
SECTION 2.07.	Temporary Bonds .....	16
SECTION 2.08.	Validity of Bonds .....	17
SECTION 2.09.	Book-Entry System .....	17
SECTION 2.10.	Procedure for Issuance of 2012 Bonds.....	20

## ARTICLE III

### TERMS OF THE 2012 Bonds

SECTION 3.01.	Terms of the 2012 Bonds .....	20
SECTION 3.02.	Redemption of 2012 Bonds.....	21
SECTION 3.03.	Form of 2012 Bonds.....	23

## ARTICLE IV

### ISSUANCE OF ADDITIONAL BONDS

SECTION 4.01.	Conditions for the Issuance of Additional Bonds.....	23
SECTION 4.02.	Procedure for the Issuance of Additional Bonds.....	24

## ARTICLE V

### ESTABLISHMENT OF FUNDS; DEPOSIT AND APPLICATION OF PROCEEDS

SECTION 5.01.	Establishment of Funds and Accounts .....	25
SECTION 5.02.	Application of Bond Proceeds and Other Amounts .....	26
SECTION 5.03.	Use of Moneys in the Acquisition Fund.....	26
SECTION 5.04.	Use of Moneys in the 2012 Costs of Issuance Account.....	26

## ARTICLE VI

### REVENUES

SECTION 6.01.	Pledge of Revenues .....	27
SECTION 6.02.	Receipt and Deposit of Revenues in the Payment Fund.....	27
SECTION 6.03.	Establishment and Maintenance of Accounts for Use of Money in the Payment Fund.....	27

**TABLE OF CONTENTS**  
(continued)

	<b>Page</b>
SECTION 6.04. Reserve Fund.....	29
SECTION 6.05. Investment of Moneys in Funds and Accounts .....	30
<b>ARTICLE VII</b>	
<b>COVENANTS OF THE AUTHORITY</b>	
SECTION 7.01. Punctual Payment and Performance.....	31
SECTION 7.02. Tax Covenants; Rebate Fund.....	31
SECTION 7.03. Eminent Domain.....	33
SECTION 7.04. Accounting Records and Reports .....	33
SECTION 7.05. Installment Purchase Agreement and Other Documents.....	33
SECTION 7.06. Other Liens .....	33
SECTION 7.07. Prosecution and Defense of Suits .....	34
SECTION 7.08. Continuing Disclosure .....	34
SECTION 7.09. Further Assurances .....	34
SECTION 7.10. Acquisition and Construction of the Project and Sale of the Project .....	35
<b>ARTICLE VIII</b>	
<b>THE TRUSTEE</b>	
SECTION 8.01. Appointment and Acceptance of Duties.....	35
SECTION 8.02. Duties, Immunities and Liabilities of Trustee .....	35
SECTION 8.03. Merger or Consolidation.....	37
SECTION 8.04. Compensation .....	37
SECTION 8.05. Liability of Trustee .....	37
SECTION 8.06. Right to Rely on Documents .....	38
SECTION 8.07. Preservation and Inspection of Documents .....	38
<b>ARTICLE IX</b>	
<b>AMENDMENT OF THE INDENTURE</b>	
SECTION 9.01. Amendment of the Indenture.....	39
SECTION 9.02. Disqualified Bonds .....	39
SECTION 9.03. Endorsement or Replacement of Bonds After Amendment.....	39
SECTION 9.04. Amendment by Mutual Consent.....	40
<b>ARTICLE X</b>	
<b>EVENTS OF DEFAULT AND REMEDIES OF HOLDERS</b>	
SECTION 10.01. Events of Default and Acceleration of Maturities .....	40
SECTION 10.02. Proceedings by Trustee.....	41
SECTION 10.03. Effect of Discontinuance or Abandonment .....	41
SECTION 10.04. Rights of Owners .....	41
SECTION 10.05. Restriction on Owners' Action .....	42
SECTION 10.06. Power of Trustee to Enforce .....	42
SECTION 10.07. Remedies Not Exclusive.....	42

**TABLE OF CONTENTS**  
(continued)

	<b>Page</b>
SECTION 10.08. Waiver of Events of Default; Effect of Waiver .....	43
SECTION 10.09. Application of Moneys .....	43
ARTICLE XI	
DEFEASANCE	
SECTION 11.01. Discharge of Bonds.....	44
SECTION 11.02. Unclaimed Money.....	46
ARTICLE XII	
MISCELLANEOUS	
SECTION 12.01. Liability of Authority Limited to Revenues .....	46
SECTION 12.02. Benefits of Indenture Limited to Parties.....	47
SECTION 12.03. Successor Is Deemed Included In All References To Predecessor .....	47
SECTION 12.04. Execution of Documents by Owners .....	47
SECTION 12.05. Waiver of Personal Liability.....	47
SECTION 12.06. Acquisition of Bonds by Authority.....	47
SECTION 12.07. Destruction of Cancelled Bonds .....	48
SECTION 12.08. Content of Certificates .....	48
SECTION 12.09. Publication for Successive Weeks .....	48
SECTION 12.10. Accounts and Funds.....	48
SECTION 12.11. Article and Section Headings and References.....	49
SECTION 12.12. Partial Invalidity .....	49
SECTION 12.13. Execution in Several Counterparts .....	49
SECTION 12.14. Law Governing .....	49
SECTION 12.15. Notices .....	49
EXHIBIT A [FORM OF 2012 BOND] .....	A-1

## INDENTURE

**THIS INDENTURE**, dated as of September 1, 2012, by and between the TURLOCK PUBLIC FINANCING AUTHORITY, a joint exercise of powers entity duly organized and existing under and by virtue of the laws of the State of California (the “Authority”), and U.S. BANK NATIONAL ASSOCIATION, a national banking association, as trustee (the “Trustee”);

### WITNESSETH:

WHEREAS, the Authority was formed to provide assistance to the City of Turlock (the “City”) in the financing of public capital improvements;

WHEREAS, the City has previously acquired, constructed, installed and improved its sewer system and desires in the future to acquire, construct, install and improve its sewer system (collectively, the “Project”);

WHEREAS, in order to effect such acquisition, construction, installation and improvement, the Authority has previously sold components of the Project to the City pursuant to a Master Installment Purchase Agreement, dated as of September 1, 1999 (as supplemented and amended, the “Prior Installment Purchase Agreement”) and will sell in the future components of the Project to the City pursuant to a Master Installment Purchase Agreement, dated as of the date hereof (the “Installment Purchase Agreement”);

WHEREAS, to provide funds for the purchase of various components of the Project, in order that such components of the Project could be sold to the City pursuant to the Prior Installment Purchase Agreement, the Authority previously issued its Sewer Revenue Bonds, Series 1999 and its Sewer Revenue Bonds, Series 2003A (collectively, the “Prior Bonds”);

WHEREAS, the Authority and the City now desire to refinance the outstanding payments for the purchase of the components of the Project previously sold by the Authority to the City pursuant to the Prior Installment Purchase Agreement;

WHEREAS, for such purpose, the Authority has agreed to issue its Sewer Revenue Bonds, Series 2012 (the “2012 Bonds”), in the aggregate principal amount of [PRINCIPAL AMOUNT IN WORDS] dollars (\$[PRINCIPAL AMOUNT]);

WHEREAS, the 2012 Bonds will be secured by the payments to be made by the City pursuant to the Installment Purchase Agreement;

WHEREAS, in order to provide for the authentication and delivery of the 2012 Bonds and any additional bonds issued hereunder (the 2012 Bonds and any such additional bonds being collectively referred to as the “Bonds”), to establish and declare the terms and conditions upon which the Bonds are to be issued and secured and to secure the payment of the principal thereof, premium, if any, and interest thereon, the Authority has authorized the execution and delivery of this Indenture; and

WHEREAS, all acts and proceedings required by law necessary to make the Bonds, when issued and executed by the Authority and authenticated and delivered by the Trustee, the valid, binding and legal limited obligations of the Authority, and to constitute this Indenture a valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done and taken, and the execution and delivery of the Indenture have been in all respects duly authorized;

NOW, THEREFORE, THIS INDENTURE WITNESSETH, that to secure the payment of the principal of, premium, if any, and interest on all Bonds at any time issued and outstanding under this Indenture, according to their tenor, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, and to declare the terms and conditions upon and subject to which the Bonds are to be issued and received, and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the Bonds by the owners thereof, and for other valuable consideration, the receipt of which is hereby acknowledged, the Authority does hereby covenant and agree with the Trustee, for the benefit of the respective owners from time to time of the Bonds, as follows:

## ARTICLE I

### DEFINITIONS; EQUAL SECURITY

**SECTION 1.01. Definitions.** Unless the context otherwise requires, the terms defined in this section shall for all purposes hereof and of any Supplemental Indenture and of any certificate, opinion, request or other document herein or therein mentioned have the meanings herein specified. Capitalized undefined terms used herein shall, unless the context otherwise requires, have the meanings ascribed thereto in the Installment Purchase Agreement.

#### 2012 Bonds

The term “2012 Bonds” means the Turlock Public Financing Authority Sewer Revenue Bonds, Series 2012 authorized by and at any time Outstanding pursuant hereto and executed, issued and delivered in accordance with Section 3.01, and any Bonds issued upon transfer thereof or in exchange therefor or in lieu thereof in accordance with the provisions hereof.

#### 2012 Costs of Issuance Account

The term “2012 Costs of Issuance Account” means the account by that name in the Costs of Issuance Fund established under Section 5.01(d).

#### 2012 Supplement

The term “2012 Supplement” means the 2012 Supplement to the Master Installment Purchase Contract, dated as of September 1, 2012, between the City and the Authority relating to the 2012 Bonds.

### Acquisition Costs

The term “Acquisition Costs” means all costs of acquiring, constructing, installing or improving the Project, including but not limited to:

(i) all costs which the Authority or the City shall be required to pay to a manufacturer, vendor or contractor or any other person for the acquisition, construction, installation or improvement of the Project;

(ii) obligations of the Authority or the City incurred for labor and materials (including obligations payable to the Authority or the City for actual out-of-pocket expenses of the Authority or the City) in connection with the acquisition, construction, installation or improvement of the Project, including reimbursement to the Authority or the City for all advances and payments made in connection with the Project prior to or after delivery of the Bonds;

(iii) the costs of performance, payment or other surety bonds and any and all types of insurance that may be necessary or appropriate to have in effect during the course of acquisition, construction, installation or improvement of the Project;

(iv) all costs of engineering and architectural services, including the actual out-of-pocket costs of the Authority or the City for test borings, surveys, estimates, plans and specifications and preliminary investigations therefor, development fees and sales commissions, and for supervising acquisition, construction, installation and improvement, as well as for the performance of all other duties required by or consequent to the proper acquisition, construction, installation or improvement of the Project; and

(v) any sums required to reimburse the Authority or the City for advances made by the Authority or the City for any of the above items or for any other costs incurred and for work done by the Authority or the City which are properly chargeable to the acquisition, construction, installation or improvement of the Project.

### Acquisition Fund

The term “Acquisition Fund” means the fund by that name established under Section 5.01(a).

### Additional Bonds

The term “Additional Bonds” means all revenue bonds of the Authority which are secured by Installment Payments authorized by and at any time Outstanding pursuant hereto and executed, issued and delivered in accordance with Article IV.

### Annual Debt Service

The term “Annual Debt Service” means, for any Fiscal Year, the sum of (1) the interest payable on all Outstanding Bonds in such Fiscal Year, assuming that all Outstanding Serial Bonds are retired as scheduled and that all Outstanding Term Bonds are redeemed or paid

from sinking fund payments as scheduled (except to the extent that such interest is to be paid from the proceeds of the sale of any Bonds), (2) the principal amount of all Outstanding Serial Bonds maturing by their terms in such Fiscal Year, and (3) the principal amount of all Outstanding Term Bonds required to be redeemed or paid in such Fiscal Year (together with the redemption premiums, if any, thereon).

#### Authority

The term “Authority” means the Turlock Public Financing Authority, a joint exercise of powers entity duly organized and existing by virtue of the laws of the State of California.

#### Authorized Denominations

The term “Authorized Denominations” means \$5,000 and any integral multiple thereof.

#### Beneficial Owners

The term “Beneficial Owners” means those individuals, partnerships, corporations or other entities for whom the Participants have caused the Depository to hold Book-Entry Bonds.

#### Board

The term “Board” means the Board of Directors of the Authority.

#### Bond Counsel

The term “Bond Counsel” means a firm of attorneys which are nationally recognized as experts in the area of municipal finance.

#### Bonds

The term “Bonds” means the 2012 Bonds and all Additional Bonds.

#### Business Day

The term “Business Day” means any day other than a Saturday or Sunday, or a day on which banking institutions located in California or the city or cities where the Corporate Trust Office of the Trustee are authorized by law or executive order to be closed.

#### Certificate of Completion

The term “Certificate of Completion” means a Certificate of the City filed with the Trustee, stating that the Components of the Project being financed with the proceeds of Bonds have been acquired, constructed, installed and improved and that all Acquisition Costs have been paid or provided for.

### Certificate of the Authority

The term “Certificate of the Authority” means an instrument in writing signed by the Chair or the Executive Director of the Authority, or by any designee of any of the foregoing, or by any other officer of the Authority duly authorized by the Authority for that purpose.

### Certificate of the City

The term “Certificate of the City” means an instrument in writing signed by the Mayor or the City Manager of the City, or by any designee of any of the foregoing, or by any other official of the City duly authorized by the City for that purpose.

### City

The term “City” means the City of Turlock, a municipal corporation duly organized and existing under and by virtue of the laws of the State of California.

### Closing Date

The term “Closing Date” means [Closing Date].

### Code

The term “Code” means the Internal Revenue Code of 1986, as amended, and the regulations thereunder, or any successor to the Internal Revenue Code of 1986.

### Continuing Disclosure Agreements

The term “Continuing Disclosure Agreements” means collectively all the Continuing Disclosure Agreements executed by the City at the time of the original execution and delivery of each series of the Bonds, as the same may be amended or supplemented in accordance with their respective terms.

### Corporate Trust Office of the Trustee

The term “Corporate Trust Office of the Trustee” means the principal corporate trust office of the Trustee in San Francisco, California or such other or additional offices as may be specified to the Authority by the Trustee in writing.

### Costs of Issuance

The term “Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the City or the Authority relating to the issuance, sale and delivery of the Bonds, filing and recording costs, settlement costs, printing costs, reproduction and binding costs, initial fees and charges of the Trustee (including legal fees), financing discounts, legal fees and charges, insurance fees and charges, financial and other professional consultant fees, rating agency fees, fees for transportation and safekeeping of the Bonds and any other charge or fee in connection with the original delivery of the Bonds.

### Costs of Issuance Fund

The term “Costs of Issuance Fund” means the fund by that name established under Section 5.01(d).

### Credit Facility

The term “Credit Facility” means any line of credit, letter of credit, insurance policy, surety bond or other credit source deposited with the Trustee pursuant to Section 6.04 and a Supplemental Indenture.

### Depository

The term “Depository” means the securities depository acting as Depository pursuant to Section 2.09.

### DTC

The term “DTC” means The Depository Trust Company, New York, New York, and its successors.

### Escrow Agent

The term “Escrow Agent” means U.S. Bank National Association, as trustee under the indenture securing the Prior Bonds.

### Escrow Agreements

The term “Escrow Agreements” means those certain escrow agreements relating to the refunding of the Prior Bonds, each of even date herewith, and each between the Escrow Agent and the City.

### Event of Default

The term “Event of Default” shall have the meaning set forth in Section 10.01.

### Federal Securities

The term “Federal Securities” means bills, certificates of indebtedness, notes, bonds or other securities which are direct obligations of, or are obligations guaranteed as to principal and interest by, or the principal and interest of which are secured by bills, certificates of indebtedness, notes, bonds or other securities which are direct obligations of or are guaranteed as to principal and interest by, the United States of America, whether issued in book entry form or otherwise; consolidated debt obligations of the Federal Home Loan Banks; participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation; debentures of the Federal Housing Administration; mortgage-backed securities (except stripped mortgage securities which are valued greater than par on the portion of unpaid principal) and senior debt obligations of the Federal National Mortgage Association; participation certificates

of the General Services Administration; guaranteed mortgage-backed securities and guaranteed participation certificates of the Government National Mortgage Association; guaranteed participation certificates and guaranteed pool certificates of the Small Business Association; local authority bonds of the U.S. Department of Housing & Urban Development; guaranteed Title XI financings of the U.S. Maritime Administration; guaranteed transit bonds of the Washington Metropolitan Area Transit Authority; and stripped obligations of the Resolution Funding Corporation (stripped with the Federal Reserve Bank of New York).

#### Financial Newspaper

The term “Financial Newspaper” means The Wall Street Journal or The Bond Buyer or any other newspaper or journal printed in the English language publishing financial news and selected by the Trustee, whose decision shall be final and conclusive.

#### Fiscal Year

The term “Fiscal Year” means the fiscal year of the Authority which, as of the date hereof, is the period from July 1 to and including the following June 30.

#### Indenture

The term “Indenture” means this Indenture, dated as of September 1, 2012, between the Authority and the Trustee, as originally executed and as it may from time to time be amended or supplemented by all Supplemental Indentures executed pursuant to the provisions hereof.

#### Installment Payments

The term “Installment Payments” means the Installment Payments (as defined in the Installment Purchase Agreement) scheduled to be paid by the City under and pursuant to the 2012 Supplement and any Installment Payments (as defined in the Installment Purchase Agreement) scheduled to be paid by the City under and pursuant to any other supplement to the Installment Purchase Agreement that are assigned to the Trustee for the benefit of the Owners of any Additional Bonds pursuant to this Indenture and any Supplemental Indenture.

#### Installment Purchase Agreement

The term “Installment Purchase Agreement” means the Master Installment Purchase Agreement by and between the City and the Authority, dated as of September 1, 2012, as originally executed and as it may from time to time be amended or supplemented in accordance therewith.

#### Interest Account

The term “Interest Account” means the account by that name established within the Payment Fund under Section 5.01(b).

### Interest Payment Date

The term "Interest Payment Date" means each March 15 and September 15, commencing March 15, 2013.

### Investment Securities

"Investment Securities" means any of the following investments which are legal investments under the laws of the State and which are in compliance with the City's investment policy:

(i) any bonds or other obligations which as to principal and interest constitute direct obligations of, or are unconditionally guaranteed by, the United States of America;

(ii) any certificates, receipts, securities or other obligations evidencing ownership of, or the right to receive, a specified portion of one or more interest payments or principal payments, or any combination thereof, to be made on any bond, note, or other obligation described above in clause (i);

(iii) obligations of the Government National Mortgage Association, Federal Home Loan Banks, Farmers Home Administration, Federal Home Loan Mortgage Corporation or Federal National Mortgage Association or any other Federal Securities not otherwise listed in this definition of Investment Securities;

(iv) new housing authority bonds issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America; or project notes issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America;

(v) direct and general obligations of any state of the United States of America or any political subdivision thereof, to the payment of the principal of and interest on which the full faith and credit of such state is pledged, provided that at the time of their purchase such obligations are rated in either of the two highest rating categories by each rating agency then rating the Bonds;

(vi) any bonds or other obligations of any state of the United States of America or any political subdivision thereof (a) which are not callable prior to maturity or as to which irrevocable instructions have been given to the trustee of such bonds or other obligations by the obligor to give due notice of redemption and to call such bonds for redemption on the date or dates specified in such instructions, (b) which are secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or bonds or other obligations of the character described above in clause (i) which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, (c) as to which the principal of and

interest on the bonds and obligations of the character described above in clause (i) which have been deposited in such fund along with any cash on deposit in such fund are sufficient to pay the principal of and interest and redemption premium, if any, on the bonds or other obligations described in this clause (vi) on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in subclause (a) of this clause (vi), as appropriate, and (d) which have been rated in one of the top two rating categories of each rating agency then rating the Bonds;

(vii) bonds, notes, debentures or other evidences of indebtedness issued or guaranteed by any corporation which are, at the time of purchase, rated in either of the two highest rating categories by each rating agency then rating the Bonds;

(viii) time deposits or certificates of deposit, whether negotiable or nonnegotiable, issued by any bank or trust company organized under the laws of any state of the United States of America or any national banking association (including the Trustee), provided that such certificates of deposit shall be purchased directly from such a bank, trust company or national banking association and shall be either (1) continuously and fully insured by the Federal Deposit Insurance Corporation, or (2) continuously and fully secured by such securities and obligations as are described above in clauses (i) through (v) , inclusive, which shall have a market value (exclusive of accrued interest) at all times at least equal to the principal amount of such certificates of deposit and shall be lodged with the Trustee, as custodian, by the bank, trust company or national banking association issuing such certificates of deposit, and the bank, trust company or national banking association issuing each such certificate of deposit required to be so secured shall furnish the Trustee with an undertaking satisfactory to it that the aggregate market value of all such obligations securing each such certificate of deposit will at all times be an amount equal to the principal amount of each such certificate of deposit and the Trustee shall be entitled to rely on each such undertaking;

(ix) taxable commercial paper, other than that issued by bank holding companies, or tax exempt commercial paper rated in the highest rating category by each rating agency then rating the Bonds;

(x) variable rate obligations required to be redeemed or purchased by the obligor or its agent or designee upon demand of the holder thereof secured as to such redemption or purchase requirement by a liquidity agreement with a corporation and as to the payment of interest and principal either upon maturity or redemption (other than upon demand by the holder thereof) thereof by an unconditional credit facility of a corporation, provided that the variable rate obligations themselves are rated, without giving effect to the addition of a "plus" to any rating, in the highest rating categories in respect to its long term rating if any, and in either of the two highest categories in respect to its short term rating by a nationally recognized bond rating agency, and that the corporations providing the liquidity agreement and credit facility have, at the date of acquisition of the variable rate obligation by the Trustee, an outstanding issue of unsecured, uninsured and unguaranteed debt obligations rated in either of the two highest rating categories by each rating agency then rating the Bonds;

(xi) any repurchase agreement with any bank or trust company organized under the laws of any state of the United States or any national banking association

(including the Trustee) having a minimum permanent capital of seventy five million dollars (\$75,000,000) or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, which agreement is secured by any one or more of the securities and obligations described in clauses (i), (ii), (iii) or (iv) above;

(xii) any cash sweep or similar account arrangement of the Trustee, the investments of which are limited to investments described in items (i), (ii), (iii), (iv) and (xi) of this definition of Investment Securities and any money market fund, the entire investments of which are limited to investments described in (i), (ii), (iii), (iv) and (xi) of this definition of Investment Securities and which are rated in either of the two highest rating categories by each rating agency then rating the Bonds, including money market funds for which the Trustee, its affiliates or subsidiaries provide investment advisory or other management services;

(xiii) any investment agreement with a financial institution or insurance company which at the time of execution thereof has outstanding unsecured, uninsured and unguaranteed debt obligations rated in either of the two highest rating categories by each rating agency rating the Bonds; and

(xiv) any investment in the Local Agency Investment Fund of the State of California.

#### Letter of Representations

The term "Letter of Representations" means the blanket issuer letter of representations of the Authority delivered to and accepted by the Depository prior to the delivery of the 2012 Bonds and any Additional Bonds as Book-Entry Bonds setting forth the basis on which the Depository serves as depository for such Book-Entry Bonds, as originally executed or as it may be supplemented or revised or replaced by a letter to a substitute Depository.

#### Moody's

The term "Moody's" means Moody's Investors Service, Inc., a Delaware corporation, and its successors, and if such corporation shall for any reason no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Authority and the City.

#### Nominee

The term "Nominee" means the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to Section 2.09.

#### Outstanding

The term "Outstanding," when used as of any particular time with reference to Bonds, means (subject to the provisions of Section 9.02) all Bonds theretofore or thereupon executed by the Authority and authenticated and delivered by the Trustee pursuant hereto, except:

- (1) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation;
- (2) Bonds paid or deemed to have been paid within the meaning of Section 11.01;
- (3) Bonds beneficially owned by the City or the Authority; and
- (4) Bonds in lieu of or in substitution for which other Bonds shall have been executed by the Authority and authenticated and delivered pursuant hereto.

#### Owner

The term "Owner" means any person who shall be the registered owner of any Outstanding Bond, as shown on the registration books required to be maintained by the Trustee pursuant to Section 2.05.

#### Participants

The term "Participants" means those broker-dealers, banks and other financial institutions from time to time for which the Depository holds Book-Entry Bonds as securities depository.

#### Payment Fund

The term "Payment Fund" means the fund by that name established under Section 5.01(b).

#### Pre-Refunded Municipals

The term "Pre-Refunded Municipals" means any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and which are rated, based on the escrow, in the highest rating category of Moody's and S&P.

#### Principal Account

The term "Principal Account" means the account of that name established under Section 5.01(b).

#### Prior Bonds

The term "Prior Bonds" means all of the outstanding Turlock Public Financing Authority Sewer Revenue Bonds, Series 1999 and Turlock Public Financing Authority Sewer Revenue Bonds, Series 2003A.

### Project

The term “Project” shall have the meaning given in the recitals to this Indenture.

### Rebate Fund

The term “Rebate Fund” means the fund by that name established under Section 7.02(a).

### Rebate Requirement

The term “Rebate Requirement” shall have the meaning set forth in the Tax Certificate.

### Record Date

The term “Record Date” with respect to any interest payment date for the Bonds, means the first day of the calendar month in which such Interest Payment Date falls.

### Redemption Account

The term “Redemption Account” means the account by that name established under Section 5.01(b) hereof.

### Reserve Fund

The term “Reserve Fund” means the fund by that name established under Section 5.01(c).

### Revenues

The term “Revenues” means all Installment Payments and the interest or profits from the investment of money in any account or fund (other than the Rebate Fund) pursuant to Section 6.05.

### S&P

The term “S&P” means Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., and its successors, and if such entity shall for any reason no longer perform the functions of a securities rating agency, “S&P” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Authority and the City.

### Securities Depositories

The term “Securities Depositories” means: The Depository Trust Company, 711 Stewart Avenue, Garden City, New York 11530, Fax-(516) 227-4039 or 4190 or such other securities depositories as the Authority may designate in writing to the Trustee.

### Serial Bonds

The term “Serial Bonds” means Bonds for which no sinking fund payments are provided.

### Series

The term “Series” means any Series of the Bonds authorized, executed and authenticated pursuant hereto and pursuant to one or more Supplemental Indentures as constituting a single Series of the Bonds and delivered on initial issuance in a simultaneous transaction pursuant hereto.

### Sinking Account

The term “Sinking Account” means the account by that name established under Sections 5.01(b) and 6.03(b).

### State

The term “State” means the State of California.

### Supplemental Indenture

The term “Supplemental Indenture” means any indenture then in full force and effect which has been duly executed and delivered by the Authority and the Trustee amendatory hereof or supplemental hereto; but only if and to the extent that such Supplemental Indenture is specifically authorized hereunder.

### Tax Certificate

The term “Tax Certificate” means any such certificate delivered with respect to a Series of Bonds on which it is intended that interest thereon will be excluded from gross income pursuant to Section 103 of the Code.

### Term Bonds

The term “Term Bonds” means Bonds which are payable on or before their specified maturity dates from sinking fund payments established for that purpose and calculated to retire such Bonds on or before their specified maturity dates.

### Treasurer

The term “Treasurer” means the department or officer of the City which is charged with administering and accounting for the funds of the City.

## Trustee

The term "Trustee" means U.S. Bank National Association a national banking association, or any other association or corporation which may at any time be substituted in its place as provided in Section 8.02.

## Written Request of the Authority

The term "Written Request of the Authority" means an instrument in writing signed by the Chair or Executive Director of the Authority, or by any other officer of the Authority duly authorized by the Authority for that purpose.

## Written Request of the City

The term "Written Request of the City" means an instrument in writing signed by the Mayor or the City Manager, or the designee of any of the foregoing, or by any other official of the City duly authorized by the City for that purpose.

**SECTION 1.02. Equal Security.** In consideration of the acceptance of the Bonds by the Owners thereof, the Indenture shall be deemed to be and shall constitute a contract between the Authority and the Trustee for the benefit of the Owners from time to time of all Bonds authorized, executed, issued and delivered hereunder and then Outstanding to secure the full and final payment of the interest on and principal of and redemption premiums, if any, on all Bonds which may from time to time be authorized, executed, issued and delivered hereunder, subject to the agreements, conditions, covenants and provisions contained herein; and all agreements and covenants set forth herein to be performed by or on behalf of the Authority shall be for the equal and proportionate benefit, protection and security of all Owners of the Bonds without distinction, preference or priority as to security or otherwise of any Bonds over any other Bonds by reason of the number or date thereof or the time of authorization, sale, execution, issuance or delivery thereof or for any cause whatsoever, except as expressly provided herein or therein.

## **ARTICLE II**

### **ISSUANCE OF 2012 BONDS; REGISTRATION AND TRANSFER OF BONDS**

**SECTION 2.01. Authorization and Purpose of 2012 Bonds.** The Authority has reviewed all proceedings heretofore taken relative to the authorization of the 2012 Bonds and has found, as a result of such review, and hereby finds and determines that all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in the issuance of the 2012 Bonds do exist, have happened and have been performed in due time, form and manner as required by law, and that the Authority is now duly authorized to issue the 2012 Bonds in the form and manner provided herein for the purpose of providing funds to refinance portions of the Project, and that the 2012 Bonds shall be entitled to the benefit, protection and security of the provisions hereof.

**SECTION 2.02. Execution of 2012 Bonds.** The Chair or Executive Director of the Authority is hereby authorized and directed to execute each of the 2012 Bonds on behalf of the Authority and the Secretary of the Authority is hereby authorized and directed to countersign each of the 2012 Bonds on behalf of the Authority and the Secretary of the Authority is hereby authorized to impress the seal of the Authority, if any, thereon. The signatures of such Chair or Executive Director and Secretary may be by printed, lithographed or engraved by facsimile reproduction. In case any officer whose signature appears on the 2012 Bonds shall cease to be such officer before the delivery of the 2012 Bonds to the purchaser thereof, such signature shall nevertheless be valid and sufficient for all purposes as if such officer had remained in office until such delivery of the 2012 Bonds.

Only those 2012 Bonds bearing thereon a certificate of authentication and registration in substantially the forms set forth in Exhibit A hereto, executed manually and dated by the Trustee, shall be entitled to any benefit, protection or security hereunder or be valid or obligatory for any purpose, and such certificate of authentication and registration shall be conclusive evidence that the 2012 Bonds so authenticated and registered have been duly authorized, executed, issued and delivered hereunder and are entitled to the benefit, protection and security hereof.

**SECTION 2.03. Transfer and Payment of Bonds.** Any Bond may, in accordance with its terms, be transferred in the books required to be kept pursuant to the provisions of Section 2.05 by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender, at the Corporate Trust Office of the Trustee, of such Bond for cancellation accompanied by delivery of a duly executed written instrument of transfer in a form approved by the Trustee. Whenever any Bond or Bonds shall be surrendered for transfer, the Authority shall execute and the Trustee shall authenticate and deliver a new Bond or Bonds of a like aggregate principal amount of the same maturity and series. The Trustee shall require the payment by the Owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer as a condition precedent to the exercise of such privilege.

The Authority and the Trustee may deem and treat the Owner of any Bond as the absolute owner of such Bond for the purpose of receiving payment thereof and for all other purposes, whether such Bond shall be overdue or not, and neither the Authority nor the Trustee shall be affected by any notice or knowledge to the contrary; and payment of the interest on and principal of and redemption premium, if any, on such Bond shall be made only to such Owner, which payments shall be valid and effectual to satisfy and discharge liability on such Bond to the extent of the sum or sums so paid.

The Trustee shall not be required to register the transfer of any Bond (i) during the period commencing on the day five Business Days before the date on which Bonds are to be selected for redemption and ending on such date of selection, or (ii) which has been selected for redemption in whole or in part.

**SECTION 2.04. Exchange of Bonds.** Bonds may be exchanged at the Corporate Trust Office of the Trustee for a like aggregate principal amount of Bonds of the same series and maturity of other Authorized Denominations. The Trustee shall require the payment

by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange as a condition precedent to the exercise of such privilege.

The Trustee shall not be required to register the transfer of the exchange of any Bond (i) during any period commencing with the close of business on the fifteenth day next preceding any interest payment date and ending on such interest payment date, (ii) during the period commencing 15 days before the mailing of any notice of redemption and ending on the day of such mailing, or (iii) which has been selected for redemption in whole or in part.

**SECTION 2.05. Bond Registration Books.** The Trustee will keep at its office sufficient books for the registration and transfer of the Bonds which shall at all times be open to inspection by the Authority during normal business hours with reasonable prior notice, and upon presentation for such purpose the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer the Bonds in such books as hereinabove provided.

**SECTION 2.06. Mutilated, Destroyed, Stolen or Lost Bonds.** If any Bond shall become mutilated, the Trustee, at the expense of the Owner thereof, shall thereupon authenticate and deliver a new Bond of like series, maturity and Authorized Denomination in exchange and substitution for the Bond so mutilated, but only upon surrender, at the Corporate Trust Office of the Trustee, of the Bond so mutilated. Every mutilated Bond so surrendered to the Trustee shall be cancelled by the Trustee and delivered to, or upon the order of, the Authority.

If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence be satisfactory to the Trustee and indemnity satisfactory to the Trustee shall be given, the Trustee, at the expense of the Owner, shall thereupon authenticate and deliver a new Bond of like series, maturity and Authorized Denomination in lieu of and in substitution for the Bond so lost, destroyed or stolen.

The Trustee may require payment of a reasonable sum for each new Bond issued under this Section and of the expenses which may be incurred by the Authority and the Trustee in the premises. Any Bond issued under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed or stolen shall be equally and proportionately entitled to the benefits of this Indenture with all other Bonds secured by this Indenture. Neither the Authority nor the Trustee shall be required to treat both the original Bond and any replacement Bond as being Outstanding for the purpose of determining the principal amount of Bonds which may be issued hereunder or for the purpose of determining any percentage of Bonds Outstanding hereunder, but both the original and replacement Bond shall be treated as one and the same.

**SECTION 2.07. Temporary Bonds.** The Bonds issued under this Indenture may be initially issued in temporary form exchangeable for definitive Bonds when ready for delivery. The temporary Bonds may be printed, lithographed or typewritten, shall be of such denominations as may be determined by the Authority, shall be in fully registered form and may contain such reference to any of the provisions of this Indenture as may be appropriate. Every temporary Bond shall be executed and authenticated in accordance with the terms hereof. If the Authority issues temporary Bonds it will execute and furnish definitive Bonds without delay and thereupon the temporary Bonds shall be surrendered, for cancellation, at the Corporate Trust

Office of the Trustee, and the Trustee shall deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of Authorized Denominations. Until so exchanged, the temporary Bonds shall be entitled to the same benefits under this Indenture as definitive Bonds delivered hereunder.

**SECTION 2.08. Validity of Bonds.** From and after the issuance of the Bonds the findings and determinations of the Authority respecting the Bonds shall be conclusive evidence of the existence of the facts so found and determined in any action or proceeding in any court in which the validity of the Bonds shall be required to see to the existence of any fact or to the performance of any condition or to the taking of any proceeding required prior to such issuance or to the application of the proceeds of sale of the Bonds. The validity of the issuance of the Bonds shall not be dependent on or affected in any way by the proceedings taken by the Authority for the financing of the Project or by any contracts made by the Authority or its agents in connection therewith, and shall not be dependent upon the completion of the acquisition or installation of the Project or upon the performance by any person, firm or authority of his or its obligation with respect thereto. The recital contained in the Bonds that the same are issued pursuant hereto shall be conclusive evidence of their validity and of the regularity of their issuance, and all Bonds shall be incontestable from and after their issuance. The Bonds shall be deemed to be issued, within the meaning hereof, whenever the definitive Bonds (or any temporary Bonds exchangeable therefor) shall have been delivered to the purchaser thereof and the proceeds of sale thereof received.

**SECTION 2.09. Book-Entry System.**

(a) Prior to the execution and delivery of the 2012 Bonds or any Additional Bonds executed and delivered hereunder, the Authority may provide that such Bonds shall be initially executed and delivered as Book-Entry Bonds, and in such event, the Bonds shall be in the form of a separate single fully registered Bond (which may be typewritten for each maturity of each series of Bonds). Upon initial execution and delivery, the ownership of each such Bond shall be registered in the bond register in the name of the Nominee, as nominee of the Depository. Payment of principal or interest for any Book-Entry Bonds registered in the name of the Nominee shall be made on the payment date by wire transfer of New York clearing house or equivalent next day funds or by wire transfer of same day funds to the account of the Nominee. Such payments shall be made to the Nominee at the address which is, on the regular Record Date or special record date, as the case may be, shown for the Nominee in the bond register of the Trustee.

(b) With respect to Book-Entry Bonds, the City, the Authority and the Trustee shall have no responsibility or obligation to any Participant or to any person on behalf of which such a Participant holds an interest in such Book-Entry Bonds. Without limiting the immediately preceding sentence, the City, the Authority and the Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the records of the Depository, the Nominee, or any Participant with respect to any ownership interest in Book-Entry Bonds, (ii) the delivery to any Participant or any other person, other than an Owner as shown in the bond register, of any notice with respect to Book-Entry Bonds, including any notice of prepayment, (iii) the selection by the Depository and its Participants of the beneficial interests in Book-Entry Bonds to be redeemed in the event the Authority redeems Bonds in part, (iv) the payment to any Participant or any other

person, other than an Owner as shown in the bond register, of any amount with respect to principal, premium, if any, or interest evidenced and represented by Book-Entry Bonds or (v) any consent given or other action taken by the Depository as Owner.

(c) The City, the Authority and the Trustee may treat and consider the person in whose name each Book-Entry Bond is registered in the bond register as the absolute Owner of such Book-Entry Bond for the purpose of payment of principal, redemption premium, if any, and interest with respect to such Bond, for the purpose of selecting any Bonds, or portions thereof to be redeemed, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers with respect to such Bond, for the purpose of obtaining any consent or other action to be taken by Owners and for all other purposes whatsoever and the City, the Authority and the Trustee shall not be affected by any notice to the contrary.

(d) In the event of a redemption or any other early withdrawal (e.g., tenders made and accepted in response to the Trustee's invitation at the direction of the Authority) necessitating a reduction in aggregate principal amount of Bonds Outstanding, or a redemption of part of the Bonds Outstanding, the Depository, in its discretion, (a) may request the Trustee to execute and deliver a new Bond or (b) if DTC is the sole owner of the Bonds, shall make an appropriate notation on the Bond indicating the date and amounts of such reduction in principal except in the case of final maturity, in which case the Bond must be presented to the Trustee prior to payment.

(e) The Trustee shall pay all principal, premium, if any, and interest evidenced and represented by the Bonds only to or "upon the order of" (as that term is used in the Uniform Commercial Code as adopted in the State of California) the respective Owner, as shown in the bond register, or his respective attorney duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the City's obligations with respect to payment of principal of, redemption premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. No person other than an Owner, as shown in the bond register, shall receive a Bond evidencing the obligation to make payments of principal of, redemption premium, if any, and interest on the Bonds. Upon delivery by the Depository to the Owner, the Trustee, the Authority and the City of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, and subject to the provisions herein with respect to record dates, the word Nominee in this Indenture shall refer to such nominee of the Depository.

(f) In order to qualify the Book-Entry Bonds for the Depository's book-entry system, the Authority shall execute and deliver to the Depository a Letter of Representations. The execution and delivery of a Letter of Representations shall not in any way impose upon the Authority, the City or the Trustee any obligation whatsoever with respect to persons having interests in such Book-Entry Bonds other than the Owners, as shown on the bond register of the Trustee. Such Letter of Representations may provide the time, form, content, and manner of transmission, of notices to the Depository. In addition to the execution and delivery of a Letter of Representations by the Trustee, the Authority and the Trustee shall take such other actions, not inconsistent with this Indenture, as are reasonably necessary to qualify Book-Entry Bonds for the Depository's book-entry program.

(g) In the event the Authority determines that it is in the best interest of the Beneficial Owners that they be able to obtain certificated Bonds and that such Bonds should therefore be made available and notifies the Depository and the Trustee of such determination, the Depository will notify the Participants of the availability through the Depository of certificated Bonds. In such event, the Trustee shall transfer and exchange certificated Bonds as requested by the Depository and any other Owners in appropriate amounts. In the event (i) the Depository determines not to continue to act as Depository for Book-Entry Bonds, or (ii) the Depository shall no longer so act and gives notice to the Trustee of such determination, then the Authority will discontinue the Book-Entry system with the Depository. If the Authority determines to replace the Depository with another qualified Depository, the Authority shall prepare or direct the preparation of a new single, separate, fully registered Bond for each maturity of each series of such Book-Entry Bonds, registered in the name of such successor or substitute qualified Depository or its nominee. If the Authority fails to identify another qualified Depository to replace the Depository, then the Bonds shall no longer be restricted to being registered in such bond register in the name of the Nominee, but shall be registered in whatever name or names the Owners transferring or exchanging such bonds shall designate, in accordance with the provisions of Sections 2.06, 2.07 and 2.08 hereof. Whenever the Depository requests the Authority to do so, the Authority will cooperate with the Depository in taking appropriate action after reasonable notice (a) to make available one or more separate Bonds evidencing the Book-Entry Bonds to any Participant having Book-Entry Bonds credited to its account with the Depository, and (b) to arrange for another Depository to maintain custody of Bonds evidencing the Book-Entry Bonds.

(h) Notwithstanding any other provision of this Indenture to the contrary, so long as any Book-Entry Bond is registered in the name of DTC, or its nominee, all payments with respect to principal of, redemption premium, if any, and interest on such Bond and all notices with respect to such Bond shall be made and given, respectively, as provided in the Letter of Representations or as otherwise instructed by the Depository.

(i) In connection with any notice or other communication to be provided to Owners pursuant to this Indenture by the Authority or the Trustee, at the direction of the Authority, with respect to any consent or other action to be taken by the Owners, the Authority or the Trustee, as the case may be, shall establish a record date for such consent or other action and give the Depository notice of such record date not less than 15 calendar days in advance of such record date to the extent possible. Notice to the Depository shall be given only when DTC is the sole Owner of the Bonds. If the Authority determines to invite Owners of Bonds to tender Bonds, and will pay for the same with funds other than moneys in a Sinking Account as hereinafter defined, the Authority shall give the Trustee not less than 14 days' advance notice of such invitation to tender, together with a copy of the tender notice to be distributed to the Owners. Such notice shall specify the terms of the tender and the publication date of notice of such tender. The Trustee shall send such notice to DTC by a secure means (e.g., legible facsimile transmission, registered or certified mail, overnight express delivery) in a timely manner designed to assure that such notice is in DTC's possession no later than the close of business on the Business Day before the date for mailing of such notice. (The Trustee shall have a method to verify subsequently the use of such means and timeliness of the notice.) The Trustee shall credit any Bonds so tendered against such of the mandatory sinking account payments of the maturity tendered as shall be designated by the Authority.

**SECTION 2.10. Procedure for Issuance of 2012 Bonds.** The Authority may, at any time, execute the 2012 Bonds for issuance hereunder and deliver them to the Trustee, and thereupon the 2012 Bonds shall be authenticated and delivered by the Trustee to the purchasers thereof upon the Written Request of the Authority and upon receipt of payment therefor from the purchasers thereof.

**ARTICLE III**

**TERMS OF THE 2012 BONDS**

**SECTION 3.01. Terms of the 2012 Bonds.**

(a) The 2012 Bonds shall be designated “Turlock Public Financing Authority Sewer Revenue Bonds, Series 2012” and shall be in the aggregate principal amount of [PRINCIPAL AMOUNT IN WORDS] dollars (\$[PRINCIPAL AMOUNT]). The 2012 Bonds shall be dated the Closing Date, shall be issued only in fully registered form in Authorized Denominations (not exceeding the principal amount of 2012 Bonds maturing at any one time), and shall mature on the dates and in the principal amounts and shall bear interest at the rates as set forth in the following schedule:

Maturity Date (September 15)	Principal Amount	Interest Rate
	\$	%

The principal of and redemption premiums, if any, on the 2012 Bonds shall be payable in lawful money of the United States of America at the Corporate Trust Office of the Trustee upon presentation and surrender of such 2012 Bonds.

(b) The Authority hereby fixes and confirms the sinking installment payments for the 2012 Bonds which mature on September 15, 20\_\_, such that said sinking installment payments shall be payable on September 15 in each of the years in the amounts as follows:

2012 Bonds Maturing September 15, 20\_\_

Year (September 15)	Sinking Installment Payment
	\$

\* Maturity

(c) (i) The 2012 Bonds shall bear interest at the rates set forth in Section 3.01(a) above, payable on the Interest Payment Dates in each year, commencing on March 15, 2013. Each 2012 Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless such date of authentication is during the period commencing after a Record Date through and including the next succeeding Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or unless such date of authentication is on or before the first Record Date, in which event it shall bear interest from the Closing Date; provided, however, that if on the date of authentication of any 2012 Bonds, interest is then in default on the Outstanding 2012 Bonds, such 2012 Bonds shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment on the Outstanding 2012 Bonds.

(ii) Payment of interest on the 2012 Bonds due on or before the maturity or prior redemption thereof shall be made to the person in whose name such 2012 Bonds is registered, as of the Record Date preceding the applicable Interest Payment Date, on the registration books kept by the Trustee pursuant to Section 2.05 hereof, such interest to be paid by check mailed by first class mail on such Interest Payment Date to such Owner at his address as it appears on such books; provided, that in the event the ownership of such 2012 Bonds is no longer maintained in book-entry form by the Depository, such payment shall be made by wire transfer to any Owner of at least \$1,000,000 in aggregate principal amount of 2012 Bonds, in immediately available funds to an account in the United States designated in writing by such Owner to the Trustee prior to the applicable Record Date. Interest on the 2012 Bonds shall be payable in lawful money of the United States of America and shall be calculated on the basis of a 360-day year consisting of twelve 30-day months.

### **SECTION 3.02. Redemption of 2012 Bonds.**

(a) 2012 Bonds which are Term Bonds shall be subject to mandatory redemption, on each date which a sinking installment payment for such Term Bonds is payable from sinking installment payments contemplated by Section 3.01(b), by lot, in an amount equal to such sinking installment payments, plus accrued interest to the redemption date and without premium. At the option of the Authority, it may credit against any mandatory sinking fund requirement 2012 Bonds which are Term Bonds or portions thereof which are of the same maturity as such Term Bonds subject to mandatory redemption and which, prior to said date, have been purchased, with funds other than moneys in a Sinking Account as hereinafter defined, at public or private sale or redeemed and cancelled by the Authority and not theretofore applied as a credit against any mandatory sinking fund requirement. The Authority and the City may also elect to have moneys in a Sinking Account applied to the purchase of 2012 Bonds which are Term Bonds which in turn shall be credited against the applicable mandatory sinking fund redemption requirement all as provided in Section 6.03(b).

(b) 2012 Bonds maturing on or after September 15, 20\_\_ shall be subject to redemption, at the option of the Authority, upon at least 30 days prior written notice to the Trustee specifying the date and amount of such redemption, on or after September 15, 20\_\_ in whole or in part on any date (among maturities as specified by the Authority and by lot within any maturity) at a redemption price equal to the principal amount thereof so called for redemption, without premium, plus accrued interest to the date fixed for redemption.

(c) Notice of redemption shall be given by the Trustee, not less than 20 nor more than 60 days prior to the redemption date to (i) the respective Owners of the 2012 Bonds designated for redemption at their addresses appearing on the registration books of the Trustee by first class mail and (ii) the Securities Depositories by certified or registered mail or overnight delivery. Each notice of redemption shall state the date of such notice, the redemption date, the redemption price, if any, (including the name and appropriate address of the Trustee), the CUSIP number (if any) of the maturity or maturities, and, in the case of 2012 Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each notice of optional redemption shall also state that the proposed redemption of 2012 Bonds is conditioned on there being on deposit with the Trustee on the redemption date sufficient amounts to pay the full redemption price of the 2012 Bonds to be redeemed and that on said date there will become due and payable on each of said 2012 Bonds thereof and in the case of a 2012 Bond to be redeemed in part only, the specified portion of the principal amount thereof to be redeemed, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such 2012 Bonds be then surrendered at the address of the Trustee specified in the redemption notice. Any notice of optional redemption given pursuant to this Section 3.02(c) may be rescinded upon a Written Request of the Authority to the Trustee no later than five (5) days prior to the date specified for redemption. The Trustee shall give notice of such rescission as soon thereafter as practicable in the same manner, and to the same persons, as notice of redemption was given pursuant to this Section 3.02(c).

(d) If notice of redemption has been duly given as aforesaid and money for the payment of the redemption price of the 2012 Bonds called for redemption is held by the Trustee, then on the redemption date designated in such notice the 2012 Bonds so called for redemption shall become due and payable, and from and after the date so designated interest on the 2012 Bonds so called for redemption shall cease to accrue, and the Owners of such 2012 Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof.

(e) Failure by the Trustee to give notice pursuant to this Section to any one or more of the Securities Depositories, or the insufficiency of any such notice shall not affect the sufficiency of the proceedings for redemption. Failure by the Trustee to mail notice of redemption pursuant to this Section to any one or more of the respective Owners of any 2012 Bonds designated for redemption shall not affect the sufficiency of the proceedings for redemption with respect to the Owners to whom such notice was mailed.

(f) All 2012 Bonds redeemed pursuant to the provisions of this Section or credited against any mandatory sinking fund requirements in lieu of redemption, pursuant to subsection (a) above or Section 6.03(b) shall be cancelled by the Trustee and shall not be reissued, and the Trustee shall deliver a certificate of cancellation to the Authority.

**SECTION 3.03. Form of 2012 Bonds.** The 2012 Bonds and the authentication and registration endorsement and assignment to appear thereon shall be substantially in the forms set forth on Exhibit A.

## ARTICLE IV

### ISSUANCE OF ADDITIONAL BONDS

**SECTION 4.01. Conditions for the Issuance of Additional Bonds.** The Authority may at any time issue Additional Bonds payable from the Revenues as provided herein and secured by a pledge of the Revenues as provided herein equal to the pledge securing the Outstanding Bonds theretofore issued hereunder, but only subject to the following specific conditions, which are hereby made conditions precedent to the issuance of any such Additional Bonds:

(a) The Authority shall be in compliance with all agreements and covenants contained herein and all agreements and covenants contained in the Installment Purchase Agreement.

(b) The Authority shall have satisfied the requirements set forth in Section 5.03 of the Installment Purchase Agreement.

(c) The issuance of such Additional Bonds shall have been authorized by the Authority and shall have been provided for by Supplemental Indenture which shall specify the following:

(1) The purpose for which such Additional Bonds are to be issued; provided that such Additional Bonds shall be applied solely for the purpose of (i) financing or refinancing additional improvements to the Project, including payment of all costs incidental to or connected with such financing or refinancing, (ii) funding, or increasing the amount on deposit in, any separate account within the Reserve Fund as specified in such Supplemental Indenture, and/or (iii) refunding any obligations payable from the System Revenues (as defined in the Installment Purchase Agreement), including payment of all costs incidental to or connected with such refunding;

(2) The authorized principal amount and designation of such Additional Bonds;

(3) The dated date and the maturity dates of, and the sinking fund payment dates, if any, for such Additional Bonds;

(4) The interest payment dates for such Additional Bonds, which shall be Interest Payment Dates;

(5) That such Additional Bonds shall be issued only in Authorized Denominations;

(6) The redemption premiums, if any, and the redemption terms, if any, for such Additional Bonds;

(7) The amount, if any, to be deposited from the proceeds of sale of such Additional Bonds in the Interest Account;

(8) The amount, if any, to be deposited from the proceeds of sale of such Additional Bonds in the Acquisition Fund;

(9) The amount, if any, to be deposited from the proceeds of such Additional Bonds in an account in the Costs of Issuance Fund;

(10) The amount, if any, to be deposited from the proceeds of sale of such Additional Bonds in a separate account within the Reserve Fund;

(11) The forms of such Additional Bonds; and

(12) Such other provisions as are necessary or appropriate and not inconsistent herewith.

(d) A Supplement (as defined in the Installment Purchase Agreement) shall have been executed and delivered which shall provide for Installment Payments (as defined in the Installment Purchase Agreement) by the City thereunder to be at least sufficient to pay the interest on and principal of such Additional Bonds as the same become due.

Nothing contained herein shall limit the issuance of any revenue bonds of the Authority payable from the Revenues and secured by a pledge of the Revenues if after the issuance and delivery of such revenue bonds none of the Bonds theretofore issued hereunder will be Outstanding.

Nothing contained herein shall be deemed to limit the right of the Authority to enter into one or more other indentures or trust agreements to issue obligations that are secured by Installment Payments (as defined in the Installment Purchase Agreement) other than the Installment Payments pledged hereunder.

**SECTION 4.02. Procedure for the Issuance of Additional Bonds.** The Authority may, at any time, execute Additional Bonds for issuance hereunder and deliver them to the Trustee, and thereupon such Additional Bonds shall be authenticated and delivered by the Trustee to the purchaser thereof upon the Written Request of the Authority, but only upon receipt by the Trustee of the following documents or money or securities, all of such documents dated or certified, as the case may be, as of the date of delivery of such Additional Bonds by the Trustee (unless the Authority shall accept any of such documents bearing a prior date):

(a) An executed copy of the Supplemental Indenture authorizing the issuance of such Additional Bonds;

(b) A Written Request of the Authority as to the delivery of such Additional Bonds;

(c) An opinion of Bond Counsel to the effect that (1) the Supplemental Indenture is the valid and binding obligation of the Authority (except as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights and by equitable principles), (2) the Supplemental Indenture creates the valid pledge of the Revenues which it purports to create as provided therein, subject

to the application thereof to the purposes and on the conditions permitted hereby, (3) such Additional Bonds are valid and binding special obligations of the Authority (except as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights and by equitable principles), (4) the Supplement required by Section 4.01(d) is the valid and binding agreement of the Authority and the City (except as enforcement may be limited by bankruptcy insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights and by equitable principles), and (5) the issuance of such Additional Bonds will not, in and of itself, result in the inclusion of interest on any Outstanding Bonds which purport to bear interest which is excluded from gross income pursuant to Section 103 of the Code in gross income for federal tax purposes;

(d) A Certificate of the Authority containing such statements as may be reasonably necessary to show compliance with the conditions for the issuance of such Additional Bonds contained herein; and

(e) Such further documents, opinions, money or securities as are required by the provisions of the Supplemental Indenture providing for the issuance of such Additional Bonds.

## ARTICLE V

### ESTABLISHMENT OF FUNDS; DEPOSIT AND APPLICATION OF PROCEEDS

#### SECTION 5.01. Establishment of Funds and Accounts.

(a) The Authority shall establish and maintain a special trust fund to be held by the Treasurer called the "City of Turlock Sewer System Improvement Project Acquisition Fund" (the "Acquisition Fund").

(b) The Trustee shall establish and maintain a special trust fund to be held by the Trustee called the "City of Turlock Sewer System Improvement Project Payment Fund" (the "Payment Fund"). Within the Payment Fund, the Trustee shall establish and maintain an Interest Account (the "Interest Account"); a Principal Account (the "Principal Account"), and within the Principal Account, one or more Sinking Accounts (each, a "Sinking Account"); and a Redemption Account (the "Redemption Account").

(c) The Trustee shall establish and maintain a special trust fund to be held by the Trustee called the "City of Turlock Sewer System Improvement Debt Service Reserve Fund" (the "Reserve Fund").

(d) The Trustee shall establish and maintain a special trust fund to be held by the Trustee called the "City of Turlock Sewer System Improvement Costs of Issuance Fund" (the "Costs of Issuance Fund"). Within the Costs of Issuance Fund, the Trustee shall establish and maintain a 2012 Costs of Issuance Account (the "2012 Costs of Issuance Account") and such other accounts and subaccounts as may be required to be established in the Costs of Issuance Fund pursuant to a Supplemental Indenture providing for the issuance of Additional Bonds.

**SECTION 5.02. Application of Bond Proceeds and Other Amounts.**

Upon the receipt of payment for the 2012 Bonds on the Closing Date [and the receipt of certain funds held by the Escrow Agent as trustee under the indenture securing the Prior Bonds], the Trustee and the Authority shall apply the proceeds thereof, in the amount of \$ \_\_\_\_\_ (being the principal amount of the Bonds of \$[PRINCIPAL AMOUNT].00, [plus/less] [net] original issue [premium/discount] of \$ \_\_\_\_\_, less underwriter's discount of \$ \_\_\_\_\_, as follows:

(i) The Trustee shall transfer to the Escrow Agent the amount of \$ \_\_\_\_\_ for application as provided in the Escrow Agreements; and

(ii) The Trustee shall deposit the amount of \$ \_\_\_\_\_ in the 2012 Costs of Issuance Account in the Costs of Issuance Fund to be maintained by the Trustee and disbursed as provided herein.

**SECTION 5.03. Use of Moneys in the Acquisition Fund.**

(a) The Treasurer shall hold the moneys in the Acquisition Fund and shall disburse such moneys therefrom to pay Acquisition Costs. The City shall keep detailed records of each such disbursement, including (i) the name and address of the person, firm or authority to whom payment is due; (ii) the amount to be disbursed; (iii) the nature and description of the obligation; and (iv) a copy of the bill or statement of account for each obligation. The City shall not make any disbursement from the Acquisition Fund unless such disbursement relates to an obligation which has been properly incurred, is a proper charge against the Acquisition Fund and has not been the basis of any previous disbursement therefrom.

(b) If, after payment of all Acquisition Costs and delivery to the Treasurer and the Trustee of a Certificate of Completion, there shall remain any balance of money in the Acquisition Fund, all money so remaining shall be transferred to the Trustee and deposited to the accounts within the Reserve Fund, if any, or the accounts within the Payment Fund as directed by the Authority.

**SECTION 5.04. Use of Moneys in the 2012 Costs of Issuance Account.**

Amounts on deposit in the 2012 Costs of Issuance Account shall be disbursed in the amounts and to the persons set forth in a written direction of the Authority specifying each payee, the amount of each disbursement, and that each such disbursement represents Costs of Issuance of the 2012 Bonds that have not been previously paid from proceeds of the 2012 Bonds. Upon the earlier of March \_\_, 2013 or the receipt of a written direction of the Authority, the Trustee shall transfer all remaining amounts on deposit in the 2012 Costs of Issuance Account to the accounts within the Payment Fund as directed by the Authority, and shall close the 2012 Costs of Issuance Account.

**ARTICLE VI**

**REVENUES**

**SECTION 6.01. Pledge of Revenues.** All Revenues and amounts on deposit in the funds and accounts established hereunder (other than amounts on deposit in the Rebate Fund created pursuant to Section 7.02) are hereby irrevocably pledged to the payment of

the interest on and principal of the Bonds as provided herein, and the Revenues shall not be used for any other purpose while any of the Bonds remain Outstanding; provided, however, that out of the Revenues there may be allocated such sums for such purposes as are expressly permitted by Section 6.03.

In order to secure the pledge of the 2012 Installment Payments (as defined in the 2012 Supplement) which constitute Revenues hereunder, the Authority hereby transfers, conveys and assigns to the Trustee, for the benefit of the Owners, all of the Authority's rights under the 2012 Supplement (excepting its right to indemnification thereunder), including the right to receive 2012 Installment Payments from the City, and the right to exercise any remedies provided therein in the event of a default by the City thereunder. The Trustee hereby accepts said assignment for the benefit of the Owners subject to the provisions of this Indenture.

The Trustee shall be entitled to and shall receive all of the Revenues, and any Revenues collected or received by the Authority shall be deemed to be held, and to have been collected or received, by the Authority as agent of the Trustee and shall forthwith be paid by the Authority to the Trustee.

**SECTION 6.02. Receipt and Deposit of Revenues in the Payment Fund.**

In order to carry out and effectuate the pledge contained herein, the Authority agrees and covenants that all Revenues when and as received shall be received in trust hereunder for the benefit of the Owners and shall be deposited when and as received in the Payment Fund. All Revenues shall be accounted for through and held in trust in the Payment Fund, and the Authority shall have no beneficial right or interest in any of the Revenues except only as herein provided. All Revenues, whether received by the Authority in trust or deposited with the Trustee as herein provided, shall nevertheless be allocated, applied and disbursed solely to the purposes and uses hereinafter set forth in this Article, and shall be accounted for separately and apart from all other accounts, funds, money or other assets of the Authority.

**SECTION 6.03. Establishment and Maintenance of Accounts for Use of Money in the Payment Fund.** Subject to Section 7.02, all money in the Payment Fund shall be deposited by the Trustee in the following respective special accounts within the Payment Fund (each of which is hereby created and each of which the Trustee hereby covenants and agrees to maintain) in the following order of priority:

- (a) Interest Account,
- (b) Principal Account, and
- (c) Redemption Account.

All money in each of such accounts shall be held in trust by the Trustee and shall be applied, used and withdrawn only for the purposes hereinafter authorized in this Section.

(a) Interest Account. On or before each Interest Payment Date, the Trustee shall transfer from the Payment Fund and deposit in the Interest Account that amount of money which, together with any money contained in the Interest Account, is equal to the aggregate amount of interest becoming due and payable on all Outstanding Bonds on such Interest Payment

Date. No deposit need be made in the Interest Account if the amount contained in the Interest Account is at least equal to the aggregate amount of interest becoming due and payable on all Outstanding Bonds on such Interest Payment Date.

All money in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity).

(b) Principal Account. On or before September 15 of each year, beginning September 15, 20\_\_, the Trustee shall transfer from the Payment Fund and deposit in the Principal Account that amount of money which, together with any money contained in the Principal Account, is equal to the aggregate principal amount of all Outstanding Serial Bonds maturing on such September 15 plus the aggregate amount of all sinking fund payments required to be made with respect to the Term Bonds on such September 15. No deposit need be made in the Principal Account if the amount contained therein is at least equal to the aggregate amount of the principal of all Outstanding Serial Bonds maturing by their terms on such September 15 plus the aggregate amount of all sinking fund payments required to be made on such September 15 for all Outstanding Term Bonds.

The Trustee shall establish and maintain within the Principal Account a separate subaccount for the Term Bonds of each series and maturity, designated as the “\_\_\_\_\_ Sinking Account” (the “Sinking Account”), inserting therein the series and maturity (if more than one such subaccount is established for such series) designation of such Bonds. With respect to each Sinking Account, on each mandatory sinking account payment date established for such Sinking Account, the Trustee shall apply the mandatory sinking account payment required on that date to the redemption (or payment at maturity, as the case may be) of Term Bonds of the series and maturity for which such Sinking Account was established, upon the notice and in the manner provided herein or in the Supplemental Indenture pursuant to which such series of Bonds were issued; provided that, at any time prior to giving such notice of such redemption, at the direction of the City or the Authority, the Trustee may apply moneys in such Sinking Account to the purchase of Term Bonds of such series and maturity at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as shall be determined by the Authority, except that the purchase price (excluding accrued interest) shall not exceed the redemption price that would be payable for such Bonds upon redemption by application of such mandatory sinking account payment. If, during the twelve-month period immediately preceding said mandatory sinking account payment date, the Trustee has purchased Term Bonds of such series and maturity with moneys in such Sinking Account, such Bonds so purchased shall be applied, to the extent of the full principal amount thereof, to reduce said mandatory sinking account payment.

All money in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Bonds as they shall become due and payable, except that any money in any Sinking Account shall be used and withdrawn by the Trustee only to purchase or to redeem or to pay Term Bonds for which such sinking account was created.

(c) Redemption Account. In addition to the above accounts, the Trustee shall establish and maintain within the Payment Fund a special account designated the “Redemption

Account.” All money in the Redemption Account shall be held in trust by the Trustee and shall be applied, used and withdrawn either to redeem bonds pursuant to Section 3.02(b) or for the purposes authorized in this subsection (c). Any moneys which, pursuant to Section 7.01 of the Installment Purchase Agreement, are to be used to redeem Bonds shall be deposited by the Trustee in the Redemption Account. The Trustee shall, on the scheduled redemption date, withdraw from the Redemption Account and pay to the Owners entitled thereto an amount equal to the redemption price of the Bonds to be redeemed on such date.

(d) Any delinquent Installment Payments with respect to the Project shall be applied first to the Interest Account for the immediate payment of interest payments past due and then to the Principal Account for immediate payment of principal payments past due according to the tenor of any Bond, and then to the accounts in the Reserve Fund, if any, pro rata to the extent necessary to make the amounts on deposit therein equal to the amounts required to be on deposit therein. Any remaining money representing delinquent Installment Payments shall be deposited in the Payment Fund to be applied in the manner provided therein.

**SECTION 6.04. Reserve Fund.** On each Reserve Fund Deposit Date (as defined in the Installment Purchase Agreement), immediately after making any required deposits into the accounts of the Payment Fund, the Trustee shall deposit the Reserve Fund Deposit Amount (as defined in the Installment Purchase Agreement), if any, with respect to any Series of Bonds in a separate account in the Reserve Fund (if any) established for any Series of the Bonds by a Supplemental Indenture. No deposit need be made in any separate account within the Reserve Fund so long as there shall be on deposit in such account a sum equal to the amount required to be on deposit therein by the Supplemental Indenture establishing such account. The Trustee shall promptly notify the City if the amount on deposit in any account within the Reserve Fund is less than the amount required to be on deposit therein by the Supplemental Indenture establishing such account. Deposits by the Trustee to the separate accounts within the Reserve Fund pursuant to this paragraph shall be made from amounts received from the City for deposit therein pursuant to Section 4.02(a) of the Installment Purchase Agreement.

All money in a separate account within the Reserve Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on, or principal of, or redemption premiums, if any, on the Series of Bonds for which such account was established in the event that no other money of the Authority is lawfully available therefor, or for the retirement of Bonds of such Series then Outstanding upon maturity, prior redemption or defeasance of such Bonds.

Notwithstanding anything herein to the contrary, at the option of the City, any required deposit to a separate account in the Reserve Fund may, in whole or in part, be satisfied by the deposit of a Credit Facility with the Trustee, but only as authorized by and upon the terms and conditions specified in the Supplemental Indenture establishing such separate account in the Reserve Fund.

For the avoidance of doubt, no account within the Reserve Fund shall initially be established for the 2012 Bonds.

**SECTION 6.05. Investment of Moneys in Funds and Accounts.** Moneys in the Acquisition Fund shall be accounted for by the Treasurer and invested by the Treasurer in Investment Securities. Moneys in the Reserve Fund, the Costs of Issuance Fund and the Payment Fund and any accounts therein shall, upon the Written Request of the City, on behalf of the Authority, be invested by the Trustee in Investment Securities. In the absence of a Written Request of the City, the Trustee shall invest moneys in such funds and accounts in Investment Securities described in clause (xii) of the definition of Investment Securities. The obligations in which moneys in the said funds and accounts are invested shall mature prior to the date on which such moneys are estimated to be required to be paid out hereunder; provided that with respect to the Reserve Fund, such obligations shall mature no later than ten years from the date of purchase. Prior to the completion of the acquisition, construction, installation and improvement of the Project, any interest, income or profits from the deposits or investments of all funds and accounts (except the Rebate Fund) shall be retained in such fund or account, except that interest, income and profits from the deposits or investments of any account within the Reserve Fund shall be deposited in the Interest Account of the Payment Fund so long as amounts on deposit in such account within the Reserve Fund are at least equal to the amount required to be on deposit therein pursuant to the Supplemental Indenture establishing such account. After the completion of the acquisition, construction, installation and improvement of the Project, any interest, income or profits from the deposits or investments of all funds and accounts (except the Rebate Fund) shall be deposited to the accounts in the Reserve Fund, if any, to the extent amounts on deposit therein are less than the amounts required to be on deposit therein, or to the Interest Account of the Payment Fund as directed by the Authority. For purposes of determining the amount of deposit in any fund or account held hereunder, all investments credited to such fund or account shall be valued at the lesser of market value or the cost thereof. The Trustee shall semiannually, on or about March 1 and September 1 of each year, commencing on March 1, 2013, and at such times as the Authority shall deem appropriate, value the investments in the funds and accounts hereunder on the basis of the lesser of market value or the cost thereof. Except as otherwise provided in this Section, Investment Securities representing an investment of moneys attributable to any fund or account hereunder and all investment profits or losses thereon shall be deemed at all times to be a part of said fund or account. Any Investment Securities purchased by the Trustee that are registrable securities shall be registered in the name of the Trustee. For purposes of any time limitation on the maturity of an Investment Security, such Investment Security shall be deemed to satisfy such time limitation if, by its terms and within such time limitation, the Authority or the Trustee has the right, for any purpose permitted or required under the Indenture, to demand the repurchase, redemption or termination of such Investment Security and to receive at least the outstanding par amount thereof plus accrued interest, without penalty.

The Authority acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Authority the right to receive brokerage confirmations of security transactions as they occur, the Authority specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the Authority periodic cash transaction statements which include detail for all investment transactions made by the Trustee hereunder.

## ARTICLE VII

### COVENANTS OF THE AUTHORITY

**SECTION 7.01. Punctual Payment and Performance.** The Authority will punctually pay the interest on and the principal of and redemption premiums, if any, to become due on every Bond issued hereunder in strict conformity with the terms hereof and of the Bonds, and will faithfully observe and perform all the agreements and covenants contained herein and in the Bonds.

**SECTION 7.02. Tax Covenants; Rebate Fund.**

(a) In addition to the other funds and accounts created pursuant hereto, the Trustee shall establish and maintain a fund separate from any other fund or account established and maintained hereunder designated the "Rebate Fund" (the "Rebate Fund"). Within the Rebate Fund, the Trustee shall maintain such accounts or subaccounts as are specified in a Written Request of the City to the Trustee pursuant to the Tax Certificate. The Trustee shall deposit moneys in the Rebate Fund made available by the Authority pursuant to a Written Request of the City. Subject to the transfer provisions provided in paragraph (e) below, all money at any time deposited in the Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement (as such term is defined in the Tax Certificate), for payment to the federal government of the United States of America, and none of the City, the Authority, the Trustee nor the Owners of the Bonds shall have any right in or claim to such money. All amounts deposited into or on deposit in the Rebate Fund shall be governed by this Section and by the Tax Certificate (which is incorporated herein by reference). The Trustee shall be deemed conclusively to have complied with the provisions of this Section 7.02 and the Tax Certificate if it follows the Written Request of the City, including supplying all necessary information in the manner provided in the Tax Certificate, and except as otherwise expressly provided herein, shall not be required to take any actions hereunder in the absence of written directions by the City, and shall have no liability or responsibility to enforce compliance by the City with the terms of the Tax Certificate or this Section. The Trustee agrees to comply with all Written Requests of the City given in accordance with the Tax Certificate.

(b) Upon a Written Request of the City, an amount shall be deposited into the Rebate Fund by the Trustee from deposits by the City, if and to the extent required, so that the balance of the amount on deposit thereto shall be equal to the Rebate Requirement. Computations of the Rebate Requirement shall be furnished by or on behalf of the City in accordance with the Tax Certificate. Upon request of the Trustee, the City shall provide the Trustee with written evidence that the computation of the Rebate Requirement has been made.

(c) The Trustee shall have no obligation to rebate any amounts required to be rebated pursuant to this Section, other than from moneys held in the funds and accounts created hereunder or from other moneys provided to it by the City or the Authority.

(d) The Trustee shall invest all amounts held in the Rebate Fund in Investment Securities as directed by a Written Request of the City, which directions shall be subject to the

restrictions set forth in the Tax Certificate. Money, including investment earnings, shall not be transferred from the Rebate Fund except as provided in paragraph (e) below.

(e) Upon receipt of a Written Request of the City, the Trustee shall remit part or all of the amounts in the Rebate Fund to the United States of America, as so directed. In addition, if the City so directs, the Trustee will deposit moneys into or transfer moneys out of the Rebate Fund from or into such accounts or funds as directed by the Written Request of the City. Any funds remaining in the Rebate Fund after payment or prepayment of all of the Bonds and payment and satisfaction of any Rebate Requirement, or provision made therefor satisfactory to the Trustee, shall, after payment all fees and expenses of the Trustee, be withdrawn and remitted to the City.

(f) Notwithstanding any other provision hereof, including, in particular, Article XI, the obligation to remit the Rebate Requirement to the United States and to comply with all other requirements of this Section and the Tax Certificate shall survive the defeasance or payment in full of the Bonds.

(g) The Authority shall not use or permit any proceeds of the 2012 Bonds or any funds of the Authority, directly or indirectly, to acquire any securities or obligations, and shall not take or permit to be taken any other action or actions, which would cause any 2012 Bonds to be an "arbitrage bond" within the meaning of the Code or "federally guaranteed" within the meaning of Section 149(b) of the Code and any such applicable regulations promulgated from time to time thereunder and under Section 103(c) of the Code. The Authority shall observe and not violate the requirements of Section 148 of the Code and any such applicable regulations. The Authority shall comply with all requirements of Sections 148 and 149(b) of the Code to the extent applicable to the 2012 Bonds.

(h) The Authority specifically covenants to comply with the provisions and procedures of the Tax Certificate.

(i) The Authority shall not use or permit the use of any proceeds of the 2012 Bonds or any funds of the Authority, directly or indirectly, in any manner, and shall not take or omit to take any action that would cause any of the 2012 Bonds to be treated as an obligation not described in Section 103(a) of the Code.

(j) Notwithstanding any provisions of this Section 7.02, if the Authority shall provide to the Trustee an opinion of Bond Counsel to the effect that any specified action required under this Section 7.02 is no longer required or that some further or different action is required to maintain the exclusion from gross income for federal income tax purposes of interest with respect to the 2012 Bonds, the Trustee, the Authority and the City may conclusively rely on such opinion in complying with the requirements of this Section and, notwithstanding Article VIII hereof, the covenants hereunder shall be deemed to be modified to that extent.

**SECTION 7.03. Eminent Domain.** If the whole of the Project or so much thereof as to render the remainder unusable for the purposes for which it was used or intended to be used by the City shall be taken under the power of eminent domain, the term of the Installment Purchase Agreement shall cease as of the day that possession shall be so taken. The Authority shall take or cause to be taken such action as is reasonably necessary to obtain compensation at least equal to the value of the Project or portion thereof taken by eminent domain. If less than the whole of the Project shall be taken under the power of eminent domain and the remainder is usable for the purposes for which it was used by the City at the time of such taking, then the Installment Purchase Agreement shall continue in full force and effect as to such remainder, and the parties thereto waive the benefits of any law to the contrary. So long as any of the Bonds shall be Outstanding, the net proceeds of any award made in eminent domain proceedings for taking the Project or any portion thereof shall be transferred to the Payment Fund. Any such award made after all of the Bonds have been fully paid and retired and all fees and expenses of the Trustee have been fully paid shall be paid to the City.

**SECTION 7.04. Accounting Records and Reports.** The Authority will keep or cause to be kept proper books of record and accounts in which complete and correct entries shall be made of all transactions relating to the receipts, disbursements, allocation and application of the Revenues, and such books shall be available for inspection by the Trustee (the Trustee having no duty to inspect), at reasonable hours and under reasonable conditions. Not more than 270 days after the close of each Fiscal Year, the Authority shall furnish or cause to be furnished to the Trustee a complete financial statement covering receipts, disbursements, allocation and application of Revenues for such Fiscal Year, and including a profit and loss statement and balance sheet. The Authority shall also keep or cause to be kept such other information as is required under the Tax Certificate. The Trustee shall have no duty to review such financial statements.

**SECTION 7.05. Installment Purchase Agreement and Other Documents.** The Authority will at all times maintain and vigorously enforce all of its rights under the Installment Purchase Agreement, and will promptly collect all installments due for the purchase of the Project as the same become due under the Installment Purchase Agreement, and will promptly and vigorously enforce its rights against any person who does not pay such installments as they become due under the Installment Purchase Agreement. The Authority will not do or permit anything to be done, or omit or refrain from doing anything, in any case where any such act done or permitted to be done, or any such omission of or refraining from action, would or might be a ground for cancellation or termination of the Installment Purchase Agreement by the purchaser thereunder.

**SECTION 7.06. Other Liens.** The Authority will keep the Project free from judgments, mechanics' and materialmen's liens (except those arising from the acquisition, construction and installation of the Project) and free from all liens, claims, demands and encumbrances of whatsoever prior nature or character to the end that the security for the Bonds provided herein will at all times be maintained and preserved free from any claim or liability which, in the determination of the Trustee (whose determination shall be final and may be based upon delivery to the Trustee of a Certificate of the City, Certificate of the Authority, Opinion of Bond Counsel or other attorneys, upon which the Trustee may conclusively rely), might hamper the Authority in conducting its business or interfere with the City's operation of the Project, and

the Trustee at its option (after first giving the Authority ten days' written notice to comply therewith and failure of the Authority to so comply within such period) may (but shall not be obligated to) defend against any and all actions or proceedings in which the validity hereof is or might be questioned, or may pay or compromise any claim or demand asserted in any such action or proceeding; provided, however, that in defending such actions or proceedings or in paying or compromising such claims or demands the Trustee shall not in any event be deemed to have waived or released the Authority from liability for or on account of any of its agreements and covenants contained herein, or from its liability hereunder to defend the validity hereof and the pledge of the Revenues made herein and to perform such agreements and covenants. Nothing in this Section 7.06 shall preclude the City, or require the Authority to prevent, the operation or transfer of the Project as permitted under Section 6.19 of the Installment Purchase Agreement.

**SECTION 7.07. Prosecution and Defense of Suits.** The Authority will promptly from time to time take or cause to be taken such action as may be necessary or proper to remedy or cure any defect in or cloud upon the title to the Project, whether now existing or hereafter developing, and shall prosecute or cause to be prosecuted all such suits, actions and other proceedings as may be appropriate for such purpose and shall indemnify and hold the Trustee harmless from all loss, cost, damage and expense, including attorney's fees, which it may incur by reason of any such defect, cloud, suit, action or proceeding.

The Authority will defend against every suit, action or proceeding at any time brought against the Trustee upon any claim arising out of the receipt, application or disbursement of any of the Revenues or involving the rights of the Trustee hereunder; provided that the Trustee at its election may appear in and defend any such suit, action or proceeding.

**SECTION 7.08. Continuing Disclosure.** The City has undertaken all responsibility for compliance with the continuing disclosure requirements, and accordingly the Authority shall have no liability to the Holders of the Bonds or any other person with respect to S.E.C. Rule 15c2-12, and the City shall comply with and carry out all of the provisions of each Continuing Disclosure Agreement, and any failure of the City to comply with any Continuing Disclosure Agreement shall not be considered an Event of Default hereunder; provided that the Trustee shall to the extent indemnified to its satisfaction from and against any liability or expense, at the written request of the Holders of at least twenty-five per cent (25%) in aggregate principal amount of Outstanding Bonds, shall, or any Holder of any of the Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under the Continuing Disclosure Agreement.

**SECTION 7.09. Further Assurances.** Whenever and so often as requested to do so by the Trustee, the Authority will promptly execute and deliver or cause to be executed and delivered all such other and further assurances, documents or instruments, and promptly do or cause to be done all such other and further things as may be necessary or reasonably required in order to further and more fully vest in the Owners all rights, interests, powers, benefits, privileges and advantages conferred or intended to be conferred upon them hereby.

**SECTION 7.10. Acquisition and Construction of the Project and Sale of the Project.** The Authority shall acquire and construct the Project, or cause the Project to be acquired and constructed, with moneys in the Acquisition Fund and shall sell the Project to the City pursuant to the Installment Purchase Agreement.

## **ARTICLE VIII**

### **THE TRUSTEE**

**SECTION 8.01. Appointment and Acceptance of Duties.** The Trustee hereby accepts and agrees to the trusts hereby created to all of which the Authority agrees and the respective owners of the Bonds, by their purchase and acceptance thereof, agree.

**SECTION 8.02. Duties, Immunities and Liabilities of Trustee.**

(a) The Trustee shall, prior to an Event of Default, and after the curing or waiver of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in this Indenture and no implied duties or obligations shall be read into this Indenture against the Trustee. The Trustee shall, during the existence of any Event of Default (which has not been cured or waived), exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of his own affairs.

(b) So long as no Event of Default has occurred and is continuing, the Authority may remove the Trustee at any time and shall remove the Trustee if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing) or, regardless of the occurrence and continuance of an Event of Default, if at any time the Trustee shall be in breach of the trusts set forth in this Indenture, or shall cease to be eligible in accordance with subsection (e) of this Section, or shall become incapable of acting, or shall commence a case under any bankruptcy, insolvency or similar law, or a receiver of the Trustee or of its property shall be appointed, or any public officer shall take control or charge of the Trustee or its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Trustee, and thereupon shall appoint a successor Trustee by an instrument in writing.

(c) The Trustee may resign by giving written notice of such resignation to the Authority and by giving notice of such resignation by mail, first class postage prepaid, to the Owners at the addresses listed in the bond register. Upon receiving such notice of resignation, the Authority shall promptly appoint a successor Trustee by an instrument in writing.

(d) Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee; provided, that no removal or resignation of the Trustee shall take effect until a successor shall be appointed. If no successor Trustee shall have been appointed and shall have accepted appointment within 45 days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee, at the expense of the Authority, or any Owner (on behalf of himself and all

other Owners) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under this Indenture shall signify its acceptance of such appointment by executing and delivering to the Authority and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee herein; but, nevertheless, at the written request of the Authority or of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under this Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Upon request of the successor Trustee, the Authority shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection, such successor Trustee shall mail a notice of the succession of such Trustee to the trusts hereunder by first class mail, postage prepaid, to the Owners at their addresses listed in the bond register.

(e) Any Trustee appointed under the provisions of this Indenture shall be a trust company or bank having trust powers, having a corporate trust office in California, having (or whose parent holding company shall have) a combined capital and surplus of at least one hundred million dollars (\$100,000,000), subject to supervision or examination by federal or state authority. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this subsection the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this subsection (e) the Trustee shall resign immediately in the manner and with the effect specified in this Section.

(f) No provision in this Indenture shall require the Trustee to risk or expend its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder.

(g) The Trustee shall not be responsible for the sufficiency, timeliness or enforceability of the Revenues.

(h) The Trustee shall not be accountable for the use or application by the Authority, the City or any other party of any funds which the Trustee has properly released under this Indenture.

(i) The Trustee may employ attorneys, agents or receivers in the performance of any of its duties hereunder and shall not be answerable for the misconduct of any such attorney, agent or receiver selected by it with reasonable care.

**SECTION 8.03. Merger or Consolidation.** Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business provided such company shall be eligible under subsection (e) of Section 8.02 shall succeed to the rights and obligations of such Trustee without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

**SECTION 8.04. Compensation.** The Authority shall pay the Trustee, or cause the Trustee to be paid, reasonable compensation for its services rendered hereunder and shall reimburse the Trustee for reasonable expenses incurred by the Trustee in the performance of its obligations hereunder.

The Authority agrees, to the extent permitted by law, to indemnify the Trustee and its respective officers, directors, members, employees, attorneys and agents for, and to hold them harmless against, any loss, liability or expense incurred without negligence or willful misconduct on their part arising out of or in connection with the acceptance or administration of the trusts imposed by this Indenture, including performance of their duties hereunder, including the costs and expenses of defending themselves against any claims or liability in connection with the exercise or performance of any of their powers or duties hereunder. Such indemnity shall survive the termination or discharge of the Indenture and resignation or removal of the Trustee.

**SECTION 8.05. Liability of Trustee.**

(a) The recitals of facts herein and in the Bonds contained shall be taken as statements of the Authority, and the Trustee assumes no responsibility for the correctness of the same, and makes no representations as to the validity or sufficiency of this Indenture, the Installment Purchase Agreement or of the Bonds, and shall incur no responsibility in respect thereof, other than in connection with the duties or obligations herein or in the Bonds assigned to or imposed upon it. The Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the Bonds. The Trustee shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct. The Trustee may become the Owner of Bonds with the same rights it would have if it were not Trustee or and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners, whether or not such committee shall represent the Owners of a majority in principal amount of the Bonds then Outstanding.

(b) The Trustee shall not be liable for any error of judgment made in good faith by a responsible officer, unless the Trustee shall have been negligent in ascertaining the pertinent facts.

(c) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of not less than 25% in aggregate principal amount of the Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under this Indenture.

(d) The Trustee shall not be liable for any action taken by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Indenture, except for actions arising from the negligence or intentional misconduct of the Trustee. The permissive right of the Trustee to do things enumerated hereunder shall not be construed as a mandatory duty.

(e) The Trustee shall not be deemed to have knowledge of any Event of Default hereunder unless and until it shall have actual knowledge thereof, or shall have received written notice thereof at the Corporate Trust Office of the Trustee. Except as otherwise expressly provided herein, and subject to Section 8.02, the Trustee shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements herein or of any of the documents executed in connection with the Bonds, or as to the existence of an Event of Default hereunder or thereunder. The Trustee shall not be responsible for the validity or effectiveness of any collateral given to or held by it. Without limiting the generality of the foregoing, the Trustee shall not be responsible for reviewing the contents of any financial statements furnished to the Trustee pursuant to Section 7.04 and may rely conclusively on the certificates provided hereunder to establish the compliance with its duties.

(f) The Trustee shall have no responsibility with respect to any information, statement or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds.

**SECTION 8.06. Right to Rely on Documents.** The Trustee shall be protected in acting upon any notice, resolution, request, requisition, consent, order, certificate, report, opinion, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel, who may but need not be counsel of or to the Authority, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

Whenever in the administration of the trusts imposed upon it by this Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Certificate of the Authority, and such Certificate shall be full warrant to the Trustee for any action taken or suffered in good faith under the provisions of this Indenture in reliance upon such Certificate, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

**SECTION 8.07. Preservation and Inspection of Documents.** All documents received by the Trustee under the provisions of this Indenture shall be retained in its possession and shall be subject at all reasonable times to the inspection of the Authority and any Owner, and their agents and representatives duly authorized in writing, at reasonable hours and under reasonable conditions.

## ARTICLE IX

### AMENDMENT OF THE INDENTURE

**SECTION 9.01. Amendment of the Indenture.** The Indenture and the rights and obligations of the Authority and of the Owners may be amended at any time by a Supplemental Indenture which shall become binding when the written consents of the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in Section 9.02, are filed with the Trustee. No such amendment shall (1) extend the maturity of or reduce the interest rate on or otherwise alter or impair the obligation of the Authority to pay the interest on or principal of or redemption premium, if any, on any Bond at the time and place and at the rate and in the currency provided herein without the express written consent of the Owner of such Bond, (2) except as provided in Sections 4.01 and 4.02 hereof, permit the creation by the Authority of any pledge of the Revenues as provided herein superior to or on a parity with the pledge created hereby for the benefit of the Bonds, or (3) modify any rights or obligations of the Trustee without its prior written assent thereto.

The Indenture and the rights and obligations of the Authority and of the Owners may also be amended at any time by a Supplemental Indenture which shall become binding upon adoption without the consent of any Owners, but only to the extent permitted by law and after receipt of an approving opinion of Bond Counsel and only for any one or more of the following purposes:

(a) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained herein regard to questions arising hereunder which the Authority may deem desirable or necessary and not inconsistent herewith and which shall not adversely affect the interests of the Owners;

(b) to make any other change or addition hereto which shall not materially adversely affect the interests of the Owners, or to surrender any right or power reserved herein to or conferred herein on the Authority; or

(c) to provide for the issuance of any Additional Bonds and to provide the terms of such Additional Bonds, subject to the conditions and upon compliance with the procedure set forth in Article IV.

**SECTION 9.02. Disqualified Bonds.** Bonds owned or held by or for the account of the Authority or the City shall not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Bonds provided in this article, and shall not be entitled to consent to or take any other action provided in this article.

**SECTION 9.03. Endorsement or Replacement of Bonds After Amendment.** After the effective date of any action taken as hereinabove provided, the Authority may determine that the Bonds may bear a notation by endorsement in form approved by the Authority as to such action, and in that case upon demand of the Owner of any Outstanding Bond and presentation of his Bond for such purpose at the Corporate Trust Office of the Trustee a suitable notation as to such action shall be made on such Bond. If the Authority

shall so determine, new Bonds so modified as, in the opinion of the Authority, shall be necessary to conform to such action shall be prepared and executed, and in that case upon demand of the Owner of any Outstanding Bond such new Bonds shall be exchanged at the Corporate Trust Office of the Trustee without cost to each Owner for Bonds then Outstanding upon surrender of such Outstanding Bonds.

**SECTION 9.04. Amendment by Mutual Consent.** The provisions of this article shall not prevent any Owner from accepting any amendment as to the particular Bonds owned by him, provided that due notation thereof is made on such Bonds.

## ARTICLE X

### EVENTS OF DEFAULT AND REMEDIES OF HOLDERS

**SECTION 10.01. Events of Default and Acceleration of Maturities.** If one or more of the following events (herein called "Events of Default") shall happen, that is to say:

(a) failure in the due and punctual payment of the interest on any Bond when and as the same shall become due and payable;

(b) failure in the due and punctual payment of the principal of or redemption premium, if any, on any Bond when and as the same shall become due and payable, whether at maturity as therein expressed or by proceedings for redemption;

(c) failure by the Authority in the performance of any of the other agreements or covenants required herein to be performed by the Authority, and such default shall have continued for a period of 60 days after the Authority shall have been given notice in writing of such default by the Trustee or to the Authority and the Trustee by Owners of not less than 25% of the Bonds; or

(d) if any event of default shall have occurred and be continuing under Section 8.01 of the Installment Purchase Agreement; or

(e) if the Authority shall file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction shall approve a petition filed with or without the consent of the Authority seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the Authority or of the whole or any substantial part of its property;

then and in each and every such case during the continuance of such event of default the Trustee may, and upon the written request of the Owners of not less than 25% in aggregate principal amount of the Bonds then Outstanding shall, by notice in writing to the Authority, declare the principal of all Bonds then Outstanding and the interest accrued thereon to be due and payable immediately, and upon any such declaration the same shall become due and payable, anything contained herein or in the Bonds to the contrary notwithstanding. This

subsection is subject to the condition that if at any time after the entire principal amount of the unpaid Bonds and the accrued interest thereon shall have been so declared due and payable and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the City shall deposit with the Trustee a sum sufficient to pay the unpaid principal amount of the Bonds due prior to such declaration and the accrued interest thereon, with interest on such overdue installments at the rate or rates applicable thereto in accordance with their terms, and the reasonable fees and expenses of the Trustee, and any and all other defaults known to the Trustee (other than the payment of the entire principal amount of the unpaid Bonds and the accrued interest thereon due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then and in every such case the Trustee, by written notice to the City, may rescind and annul such declaration and its consequences; but no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair or exhaust any right or power consequent thereon.

**SECTION 10.02. Proceedings by Trustee.** Upon the happening and continuance of any Event of Default the Trustee in its discretion may, and at the written request of the Owners of not less than 25% in aggregate principal amount of Bonds Outstanding shall (but only to the extent indemnified to its satisfaction from fees and expenses, including attorneys' fees), do the following:

(a) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Owners and require the Authority to enforce all rights of the Owners of Bonds, including the right to require the Authority to receive and collect Revenues and to enforce its rights under the Installment Purchase Agreement and to require the Authority to carry out any other covenant or agreement with Owners of Bonds and to perform its duties hereunder;

(b) bring suit upon the Bonds;

(c) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Owners; and

(d) as a matter of right, have receivers appointed for the Revenues and the issues, earnings, income, products and profits thereof, pending such proceedings, with such powers as the court making such appointment shall confer.

**SECTION 10.03. Effect of Discontinuance or Abandonment.** In case any proceeding taken by the Trustee on account of any default or Event of Default shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee, then and in every such case the Authority, the Trustee and the Owners shall be restored to their former positions and rights under this Indenture, respectively, and all rights, remedies and powers of the Trustee shall continue as though no such proceeding had been taken.

**SECTION 10.04. Rights of Owners.** Anything in this Indenture to the contrary notwithstanding, subject to the consent of any provider of any then existing Credit Facility which is not exhausted and subject to the limitations and restrictions as to the rights of the Owners in Sections 10.01 and 10.02 above and 10.05 below, upon the happening and

continuance of any Event of Default, the Owners of not less than 25% in aggregate principal amount of the Bonds then Outstanding shall have the right upon providing the Trustee security and indemnity reasonably satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, by an instrument in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee under this Indenture.

The Trustee may refuse to follow any direction that conflicts with law or this Indenture or that the Trustee determines is prejudicial to rights of other Owners or would subject the Trustee to personal liability.

**SECTION 10.05. Restriction on Owners' Action.** In addition to the other restrictions on the rights of Owners to request action upon the occurrence of an Event of Default and to enforce remedies set forth in this Article X, no Owner of any of the Bonds shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of any trust under this Indenture, or any other remedy under this Indenture or on said Bonds, unless such Owner previously shall have given to the Trustee written notice of an Event of Default as hereinabove provided and unless the Owners of not less than 25% in aggregate principal amount of the Bonds then Outstanding shall have made written request of the Trustee to institute any such suit, action, proceeding or other remedy, after the right to exercise such powers or rights of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers in this Indenture granted, or to institute such action, suit or proceeding in its or their name; nor unless there also shall have been offered to the Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall not have complied with such request within a reasonable time; and such notification, request and offer of indemnity are hereby declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the trusts of this Indenture or for any other remedy under this Indenture; it being understood and intended that no one or more Owners of the Bonds secured by this Indenture shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of this Indenture, or to enforce any right under this Indenture or under the Bonds, except in the manner in this Indenture provided, and that all proceedings at law or in equity shall be instituted, and maintained in the manner in this Indenture provided, and for the equal benefit of all Owners of Outstanding Bonds; subject, however, to the provisions of this Section and provided that, no such action shall be effective unless a declaration is given by any provider of a then existing Credit Facility which is not exhausted or is consented to by such provider.

**SECTION 10.06. Power of Trustee to Enforce.** All rights of action under this Indenture or under any of the Bonds secured by this Indenture which are enforceable by the Trustee may be enforced by it without the possession of any of the Bonds, or the production thereof at the trial or other proceedings relative thereto, and any such suit, action or proceedings instituted by the Trustee shall be brought in its own name, as Trustee, for the equal and ratable benefit of the Owners of the Bonds subject to the provisions of this Indenture.

**SECTION 10.07. Remedies Not Exclusive.** No remedy in this Indenture conferred upon or reserved to the Trustee or to the Owners of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative,

and shall be in addition to every other remedy given under this Indenture or now or hereafter existing at law or in equity or by statute.

**SECTION 10.08. Waiver of Events of Default; Effect of Waiver.** The Trustee shall waive any Event of Default hereunder and its consequences and rescind any declaration of acceleration, upon the written request of the Owners of at least a majority in aggregate principal amount of all Outstanding Bonds. If any Event of Default shall have been waived as herein provided, the Trustee shall promptly give written notice of such waiver to the Authority and shall give notice thereof by first class mail, postage prepaid to all Owners of Outstanding Bonds if such Owners had previously been given notices of such Event of Default and to any provider of a then existing Credit Facility, whether or not exhausted; but no such waiver, rescission and annulment shall extend to or affect any subsequent Event of Default, or impair any right or remedy consequent thereon.

No delay or omission of the Trustee or any Owner of the Bonds to exercise any right or power accruing upon any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or Event of Default, or an acquiescence therein; and every power and remedy given by this Article X to the Trustee or the Owners of the Bonds, respectively, may be exercised from time to time and as often as may be deemed expedient.

**SECTION 10.09. Application of Moneys.** Any moneys received by the Trustee pursuant to this Article X, together with any moneys which upon the occurrence of an Event of Default are held by the Trustee in any of the funds and accounts hereunder (other than the Rebate Fund and other than moneys held for Bonds not presented for payment) shall, after payment of all fees and expenses of the Trustee, and the fees and expenses of its counsel, be applied as follows:

(a) unless the principal of all of the Outstanding Bonds shall be due and payable,

FIRST - To the payment of the Owners of all installments of interest then due on the Bonds, in the order of the maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the Owners, without any discrimination or privilege;

SECOND - To the payment of the Owners of the unpaid principal of and premium, if any, on any of the Bonds which shall have become due (other than Bonds matured or called for redemption for the payment of which moneys are held pursuant to the provisions of this Indenture), in the order of their due dates and, if the amount available shall not be sufficient to pay in full the principal of and premium, if any, on such Bonds due on any particular date, then to the payment ratably, according to the amount due on such date, to the Owners without any discrimination;

THIRD - To be held for the payment to the Owners as the same shall become due of the principal of, interest, and premium, if any, on the Bonds, which may thereafter become due either at maturity or upon call for redemption prior to maturity and, if the amount available shall not be sufficient to pay in full such principal and premium, if any, due on any particular date, together with interest then due and owing thereon, payment shall be made in accordance with the FIRST and SECOND paragraphs hereof.

To the extent the provider of any Credit Facility has advanced funds in lieu of funds in any account within the Reserve Fund for the payment of any interest on or principal of a Series of Bonds which have not theretofore been repaid to such provider, then such provider shall be entitled to participate as a person entitled to receive installments of interest on such Series of Bonds to the extent of advances on the Credit Facility for interest on such Series of Bonds and shall be a person entitled to receive unpaid principal of such Series of Bonds within the meaning of clauses Second and Third to the extent of funds advanced on the Credit Facility to pay unpaid principal of such Series of Bonds.

(b) if the principal of all of the Outstanding Bonds shall be due and payable, to the payment of the principal, and premium, if any, and interest then due and unpaid upon the Outstanding Bonds without preference or priority of any of principal, premium or interest over the others or of any installment of interest, or of any Outstanding Bond over any other Outstanding Bond, ratably, according to the amounts due respectively for principal, premium and interest, to the Owners without any discrimination or preference except as to any difference in the respective amounts of interest specified in the Outstanding Bonds.

Whenever moneys are to be applied pursuant to the provisions of this Section 10.09, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. The Trustee shall give, by mailing by first class mail as it may deem appropriate, such notice of the deposit with it of any such moneys.

## ARTICLE XI

### DEFEASANCE

#### SECTION 11.01. Discharge of Bonds.

(a) If the Authority shall pay or cause to be paid to the Owners of all Outstanding Bonds the interest thereon and the principal thereof and the redemption premiums, if any, thereon at the times and in the manner stipulated herein and therein, then the Owners of such Bonds shall cease to be entitled to the pledge of the Revenues as provided herein, and all agreements, covenants and other obligations of the Authority to the Owners of such Bonds hereunder shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall execute and deliver to the Authority all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over

or deliver to the Authority all by it pursuant hereto which are not required for the payment of the interest on and principal of and redemption premiums, if any, on such Bonds.

Subject to the provisions of the above paragraph, when any of the Bonds shall have been paid and if, at the time of such payment, the Authority shall have kept, performed and observed all the covenants and promises in such Bonds and in this Indenture required or contemplated to be kept, performed and observed by the Authority or on its part on or prior to that time, then this Indenture shall be considered to have been discharged in respect of such Bonds and such Bonds shall cease to be entitled to the lien of this Indenture and such lien and all covenants, agreements and other obligations of the Authority hereunder shall cease, terminate become void and be completely discharged as to such Bonds.

Notwithstanding the satisfaction and discharge of this Indenture or the discharge of this Indenture in respect of any Bonds, those provisions of this Indenture relating to the maturity of the Bonds, interest payments and dates thereof, tender and exchange provisions, exchange and transfer of Bonds, replacement of mutilated, destroyed, lost or stolen Bonds, the safekeeping and cancellation of Bonds, nonpresentment of Bonds, and the duties of the Trustee in connection with all of the foregoing, remain in effect and shall be binding upon the Trustee and the Owners of the Bonds and the Trustee shall continue to be obligated to hold in trust any moneys or investments then held by the Trustee for the payment of the principal of, redemption premium, if any, and interest on the Bonds, to pay to the Owners of Bonds the funds so held by the Trustee as and when such payment becomes due. Notwithstanding the satisfaction and discharge of this Indenture or the discharge of this Indenture in respect of any Bonds, those provisions of this Indenture contained in Section 8.04 relating to the compensation of the Trustee shall remain in effect and shall be binding upon the Trustee and the Authority.

(b) Any Outstanding Bonds shall, prior to the maturity date or redemption date thereof, be deemed to have been paid within the meaning of and with the effect expressed in subsection (a) of this Section if (1) in case any of such Bonds are to be redeemed on any date prior to their maturity date, the Authority shall have given to the Trustee in form satisfactory to it irrevocable instructions to mail, on a date in accordance with the provisions of Section 3.02 hereof notice of redemption of such Bonds on said redemption date, said notice to be given in accordance with Section 3.02 hereof, (2) there shall have been deposited with the Trustee either (A) money in an amount which shall be sufficient or (B) Federal Securities which are not subject to redemption prior to maturity except by the holder thereof (including any such Investment Securities issued or held in book-entry form on the books of the Department of the Treasury of the United States of America) and/or Pre-Refunded Municipals, the interest on and principal of which when due, and without any reinvestment thereof, will provide money which, together with the money, if any, deposited with the Trustee at the same time, shall, as verified by an independent certified public accountant or other independent financial consultant acceptable to the Authority, be sufficient, to pay when due the interest to become due on such Bonds on and prior to the maturity date or redemption date thereof, as the case may be, and the principal of and redemption premiums, if any, on such Bonds, and (3) in the event such Bonds are not by their terms subject to redemption within the next succeeding 60 days, the Authority shall have given the Trustee in form satisfactory to it irrevocable instructions to mail as soon as practicable, a notice to the Owners of such Bonds and to the Securities Depositories and the Information Services that the deposit required by clause (2) above has been made with the Trustee and that

such Bonds are deemed to have been paid in accordance with this Section and stating the maturity date or redemption date upon which money is to be available for the payment of the principal of and redemption premiums, if any, on such Bonds. If a forward supply contract is deposited with the Trustee for purposes of defeasing the 2012 Bonds in accordance with this Section, the required verification report shall expressly state that the adequacy of the escrow to pay such 2012 Bonds relies solely on the initial escrowed investments and the maturing principal thereof and interest income thereon and does not assume performance under or compliance with the forward supply contract, and the applicable escrow agreement shall provide that in the event of any discrepancy or difference between the terms of the forward supply contract and the escrow agreement, the terms of the escrow agreement shall be controlling.

**SECTION 11.02. Unclaimed Money.** Anything contained herein to the contrary notwithstanding, any money held by the Trustee in trust for the payment and discharge of any of the Bonds which remains unclaimed for two years after the date when such Bonds have become due and payable, either at their stated maturity dates or by call for redemption prior to maturity, if such money was held by the Trustee at such date, or for two years after the date of deposit of such money if deposited with the Trustee shall at the Written Request of the Authority be repaid by the Trustee to the Authority as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Owners shall look only to the Authority for the payment of such Bonds; provided, however, that before being required to make any such payment to the Authority, the Trustee shall, at the expense of the Authority, cause to be published once a week for two successive weeks in a Financial Newspaper, a notice that such money remains unclaimed and that, after a date named in such notice, which date shall not be less than 30 days after the date of the first publication of each such notice, the balance of such money then unclaimed will be returned to the Authority.

## ARTICLE XII

### MISCELLANEOUS

**SECTION 12.01. Liability of Authority Limited to Revenues.** Notwithstanding anything contained herein, the Authority shall not be required to advance any money derived from any source of income other than the Revenues as provided herein for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds or for the performance of any agreements or covenants herein contained. The Authority may, however, advance funds for any such purpose so long as such funds are derived from a source legally available for such purpose without incurring an indebtedness.

The Bonds shall be limited obligations of the Authority and shall be payable solely from the Revenues and amounts on deposit in the funds and accounts established hereunder (other than amounts on deposit in the Rebate Fund created pursuant to Section 7.02). The Bonds do not constitute a debt or liability of the City or of the State of California and neither the faith and credit of the City nor of the State are pledged to the payment of the principal of or interest on the Bonds.

**SECTION 12.02. Benefits of Indenture Limited to Parties.** Nothing in this Indenture expressed or implied is intended or shall be construed to confer upon, or to give or grant to, any person or entity, other than the Authority, the Trustee and the registered Owners of the Bonds, any right, remedy or claim under or by reason of this Indenture or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Indenture contained by and on behalf of the Authority shall be for the sole and exclusive benefit of the Authority, the Trustee, and the registered Owners of the Bonds.

**SECTION 12.03. Successor Is Deemed Included In All References To Predecessor.** Whenever herein either the Authority or any member, officer or employee thereof is named or referred to, such reference shall be deemed to include the successor to the powers, duties and functions with respect to the administration, control and management of the Project that are presently vested in the Authority or such member, officer or employee, and all agreements and covenants required hereby to be performed by or on behalf of the Authority or any member, officer or employee thereof shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

**SECTION 12.04. Execution of Documents by Owners.** Any declaration, request or other instrument which is permitted or required herein to be executed by Owners may be in one or more instruments of similar tenor and may be executed by Owners in person or by their attorneys appointed in writing. The fact and date of the execution by any Owner or his attorney of any declaration, request or other instrument or of any writing appointing such attorney may be proved by the certificate of any notary public or other officer authorized to make acknowledgments of deeds to be recorded in the state or territory in which he purports to act that the person signing such declaration, request or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer. The ownership of any Bonds and the amount, maturity, number and date of holding the same may be proved by the registration books relating to the Bonds at the office of the Trustee.

Any declaration, request or other instrument or writing of the Owner of any Bond shall bind all future Owners of such Bond with respect to anything done or suffered to be done by the Authority in good faith and in accordance therewith.

**SECTION 12.05. Waiver of Personal Liability.** No member, officer or employee of the Authority shall be individually or personally liable for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds by reason of their issuance, but nothing herein contained shall relieve any member, officer or employee of the Authority from the performance of any official duty provided by any applicable provisions of law or hereby.

**SECTION 12.06. Acquisition of Bonds by Authority.** All Bonds acquired by the Authority, whether by purchase or gift or otherwise, shall be surrendered to the Trustee for cancellation.

**SECTION 12.07. Destruction of Cancelled Bonds.** Whenever provision is made for the return to the Authority of any Bonds which have been cancelled pursuant to the provisions hereof, the Authority may, by a Written Request of the Authority, direct the Trustee to destroy such Bonds and furnish to the Authority a certificate of such destruction.

**SECTION 12.08. Content of Certificates.** Every Certificate of the Authority with respect to compliance with any agreement, condition, covenant or provision provided herein shall include (a) a statement that the person or persons making or giving such certificate have read such agreement, condition, covenant or provision and the definitions herein relating thereto; (b) a brief statement as to the nature and scope of the examination or investigation upon which the statements contained in such certificate are based; (c) a statement that, in the opinion of the signers, they have made or caused to be made such examination or investigation as is necessary to enable them to express an informed opinion as to whether or not such agreement, condition, covenant or provision has been complied with; and (d) a statement as to whether, in the opinion of the signers, such agreement, condition, covenant or provision has been complied with.

Any Certificate of the Authority may be based, insofar as it relates to legal matters, upon an opinion of Bond Counsel unless the person making or giving such certificate knows that the opinion of Bond Counsel with respect to the matters upon which his certificate may be based, as aforesaid, is erroneous, or in the exercise of reasonable care should have known that the same was erroneous. Any opinion of Bond Counsel may be based, insofar as it relates to factual matters information with respect to which is in the possession of the Authority, upon a representation by an officer or officers of the Authority unless the counsel executing such opinion of Bond Counsel knows that the representation with respect to the matters upon which his opinion may be based, as aforesaid, is erroneous, or in the exercise of reasonable care should have known that the same was erroneous.

**SECTION 12.09. Publication for Successive Weeks.** Any publication required to be made hereunder for successive weeks in a Financial Newspaper may be made in each instance upon any Business Day of the first week and need not be made on the same Business Day of any succeeding week or in the same Financial Newspaper for any subsequent publication, but may be made on different Business Days or in different Financial Newspapers, as the case may be.

**SECTION 12.10. Accounts and Funds.** Any account or fund required herein to be established and maintained by the Trustee may be established and maintained in the accounting records of the Trustee either as an account or a fund, and may, for the purposes of such accounting records, any audits thereof and any reports or statements with respect thereto, be treated either as an account or a fund; but all such records with respect to all such accounts and funds shall at all times be maintained in accordance with sound industry practice and with due regard for the protection of the security of the Bonds and the rights of the Owners. The Trustee may establish such other funds and accounts as it deems necessary or appropriate to perform its obligations hereunder.

**SECTION 12.11. Article and Section Headings and References.** The headings or titles of the several articles and sections hereof and the table of contents appended hereto shall be solely for convenience of reference and shall not affect the meaning, construction or effect hereof. All references herein to “Articles,” “Sections” and other subdivisions or clauses are to the corresponding articles, sections, subdivisions or clauses hereof; and the words “hereby,” “herein,” “hereof,” “hereto,” “herewith,” “hereunder” and other words of similar import refer to Indenture as a whole and not to any particular article, section, subdivision or clause hereof.

**SECTION 12.12. Partial Invalidity.** If any one or more of the agreements or covenants or portions thereof required hereby to be performed by or on the part of the Authority or the Trustee shall be contrary to law, then such agreement or agreements, such covenant or covenants or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements and covenants or portions thereof and shall in no way affect the validity hereof or of the Bonds, and the Owners shall retain all the benefit, protection and security afforded to them hereunder or any applicable provisions of law. The Authority and the Trustee hereby declare that they would have executed and delivered the Indenture and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof and would have authorized the issuance of the Bonds pursuant hereto irrespective of the fact that any one or more articles, sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

**SECTION 12.13. Execution in Several Counterparts.** This Indenture may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the Authority and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

**SECTION 12.14. Law Governing.** This Indenture shall be governed exclusively by the provisions hereof and by the laws of the State as the same from time to time exist.

**SECTION 12.15. Notices.** All approvals, authorizations, consents, demands, designations, notices, offers, requests, statements or other communications hereunder by either party to the other shall be in writing and shall be sufficiently given and served upon the other party if delivered personally or if mailed by United States registered or certified mail, return receipt requested, postage prepaid, and, if to the City, addressed to the City c/o Administrative Services, 156 South Broadway, Suite 230, Turlock, California, 95380, Attention: City Manager, or, if to the Authority, addressed to the Authority c/o City of Turlock, Administrative Services, 156 South Broadway, Suite 230, Turlock, California 95380, Attention: Executive Director, with a copy to the Trustee at One California Street, Suite 1000, San Francisco, California 94111, Attention: Corporate Trust Services or to such other addresses as the respective parties may from time to time designate by notice in writing.

IN WITNESS WHEREOF, the TURLOCK PUBLIC FINANCING AUTHORITY has caused this Indenture to be signed in its name by its Executive Director and attested by its Secretary and U.S. BANK NATIONAL ASSOCIATION, in token of its acceptance of the trusts created hereunder, has caused this Indenture to be signed by one of its duly authorized officers, all as of the day and year first above written.

TURLOCK PUBLIC FINANCING AUTHORITY

By: \_\_\_\_\_  
Executive Director

ATTEST:

\_\_\_\_\_  
Secretary

U.S. BANK NATIONAL ASSOCIATION,  
as Trustee

By: \_\_\_\_\_  
Authorized Officer

IN WITNESS WHEREOF, the CITY OF TURLOCK hereby agrees to be bound by the provisions of Section 5.03 hereof with respect to the disbursement of moneys in the Acquisition Fund.

CITY OF TURLOCK

By: \_\_\_\_\_  
City Manager

ATTEST:

\_\_\_\_\_  
City Clerk

**EXHIBIT A**

**[FORM OF 2012 BOND]**

No. \_\_\_\_\_

\$ \_\_\_\_\_

**TURLOCK PUBLIC FINANCING AUTHORITY  
SEWER REVENUE BOND, SERIES 2012**

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Dated Date</u>	<u>CUSIP</u>
	September 15, _____		

REGISTERED OWNER: CEDE & CO.

PRINCIPAL SUM:

DOLLARS

The TURLOCK PUBLIC FINANCING AUTHORITY, a California joint exercise of powers authority, duly organized and validly existing under and pursuant to the laws of the State of California (the "Authority"), for value received, hereby promises to pay (but only out of the Revenues hereinafter referred to) to the registered owner specified above or registered assigns on the maturity date specified above (subject to any right of prior redemption provided for) the principal sum specified above, together with interest thereon from the interest payment date next preceding the date of authentication hereof (unless such date of authentication is during the period commencing after the first day of the calendar month in which an interest payment date falls (the "Record Date") through and including the next succeeding interest payment date, in which event this Bond shall bear interest from such interest payment date, or unless such date of authentication is on or before the first Record Date, in which event it shall bear interest from September \_\_, 2012) until the principal hereof shall have been paid at the interest rate per annum specified above, payable on March 15, 2013, and semiannually thereafter on each March 15 and September 15; provided, however, that if on the date of authentication of this Bond, interest is

then in default on this Bond, such Bond shall bear interest from the interest payment date to which interest has previously been paid or made available for payment.

The principal of this Bond shall be payable in lawful money of the United States of America at the Corporate Trust Office of the Trustee (as defined in the hereinafter described Indenture) upon presentation and surrender of this Bond.

Payment of interest on this Bond due on or before the maturity or prior redemption, thereof shall be made to the person in whose name such Bond is registered, as of the Record Date preceding the applicable interest payment date, on the registration books kept by the Trustee at the Corporate Trust Office of the Trustee, such interest to be paid by check mailed by first class mail on such interest payment date to the registered owner at his address as it appears on such books; provided that in the event that the ownership of the Bonds is no longer maintained in book-entry form by the Depository (as defined in the hereinafter-mentioned Indenture), such payment shall be made by wire transfer to any registered owner of at least \$1,000,000 in aggregate principal amount of Bonds in immediately available funds to an account in the United States designated in writing by such owner to the Trustee prior to the applicable Record Date. Interest on this Bond shall be payable in lawful money of the United States of America and shall be calculated on the basis of a 360-day year consisting of twelve 30-day months.

It is hereby certified that all acts and proceedings required by law necessary to make this Bond, when executed by the Authority, authenticated and delivered by the Trustee and duly issued, the valid, binding and legal limited obligation of the Authority have been done and taken, and have been in all respects duly authorized.

This Bond is one of a duly authorized issue of bonds of the Authority designated as its "Turlock Public Financing Authority Sewer Revenue Bonds, Series 2012" (the "Bonds") in the aggregate principal amount of [PRINCIPAL AMOUNT IN WORDS] dollars (\$[PRINCIPAL AMOUNT]), all of like tenor and date (except for such variations, if any, as may be required to designate varying numbers, maturities and interest rates), and is issued under and pursuant to the provisions of an indenture, dated as of September 1, 2012 (the "Indenture"), between the Authority and U.S. Bank National Association, as trustee (the "Trustee") (copies of which are on file at the office of the Secretary of the Authority and at the Corporate Trust Office of the Trustee).

The Bonds are issued to provide funds to refinance the cost of acquiring, constructing, installing and improving portions of the sewer system (the "Project") of the City of Turlock (the "City"). The Bonds are limited obligations of the Authority and are payable, as to interest thereon and principal thereof, solely from the revenues derived from certain installment payments paid by the City for the purchase of the Project and assigned to the Trustee, as provided in the Indenture or any Supplemental Indenture (the "Revenues"). All the Bonds are equally and ratably secured in accordance with the terms and conditions of the Indenture by a pledge of the Revenues, which Revenues shall be held in trust for the security and payment of the interest on, principal of and redemption premiums, if any, on the Bonds as provided in the Indenture.

The Bonds shall be limited obligations of the Authority and shall be payable solely from the Revenues and amounts on deposit in the funds and accounts established under the Indenture (other than amounts on deposit in the Rebate Fund). The Bonds do not constitute a debt or liability of the City or of the State of California and neither the faith and credit of the City nor of the State of California are pledged to the payment of the principal of or interest on the Bonds.

Additional revenue bonds payable from the Revenues may be issued which will rank equally as to security with the Bonds, but only subject to the conditions and upon compliance with the procedures set forth in the Indenture. Reference is hereby made to the Indenture and any and all amendments thereof and supplements thereto for a description of the terms under which the Bonds are issued, the provisions with regard to the nature and extent of the Revenues, and the rights of the registered owners of the Bonds. All of the terms of the Indenture are hereby incorporated herein and constitute a contract between the Authority and the registered owner of this Bond, to all the provisions of which the registered owner of this Bond, by acceptance hereof, agrees and consents. Each registered owner hereof shall have recourse to all of the provisions of the Indenture and shall be bound by all of the terms and conditions thereof.

The Authority has agreed and covenanted that, for the payment of the interest on, the principal of and redemption premium, if any, on this Bond and all other Bonds of this issue authorized by the Indenture when due, there has been created and will be maintained by the Trustee a special fund into which all Revenues (other than deposits to the Rebate Fund created by the Indenture) shall be deposited, and the Authority has allocated such Revenues solely to the payment of the interest on and principal of and redemption premiums, if any, on the Bonds and any Additional Bonds issued pursuant to the terms of the Indenture, and the Authority will pay promptly when due the interest on and the principal of and redemption premium, if any, on this Bond and all other Bonds of this issue authorized by the Indenture out of said special fund, all in accordance with the terms and provisions set forth in the Indenture.

The Bonds maturing in the year 20\_\_ shall be subject to mandatory redemption, on each date which a sinking installment payment for such Bonds is payable, from sinking installment payments set forth in the Indenture beginning on September 15 of the year 20\_\_, by lot, in an amount equal to such sinking installment payments plus accrued interest to the redemption date and without premium.

At the option of the Authority, it may credit against any mandatory sinking fund requirement Bonds which are Term Bonds or portions thereof which are of the same maturity as such Term Bonds subject to mandatory redemption and which, prior to said date, have been purchased, with funds other than moneys in a Sinking Account (as defined in the Indenture), at public or private sale or redeemed and cancelled by the Authority and not theretofore applied as a credit against any mandatory sinking fund requirement. The Authority and the City may also elect to have moneys in a Sinking Account applied to the purchase of Bonds which are Term Bonds which in turn shall be credited against any mandatory sinking fund redemption requirement, all as provided in the Indenture.

Bonds maturing on or after September 15, 20\_\_ shall be subject to redemption, at the option of the Authority, on or after September 15, 20\_\_ in whole or in part on any date (among maturities as specified by the Authority and by lot within any maturity) at a redemption price equal to the principal amount thereof so called for redemption, without premium, plus accrued interest to the date fixed for redemption.

As provided in the Indenture, notice of redemption of this Bond shall be given by first class mail not less than 20 days nor more than 60 days before the redemption date to the registered owner hereof. If notice of redemption has been duly given and money for the payment of the redemption price is held by the Trustee, then on the redemption date designated in such notice, this Bond shall become due and payable, and from and after the date so designated, interest on this Bond shall cease to accrue and the registered owner of this Bond shall have no rights with respect hereto except to receive payment of the redemption price hereof.

If an Event of Default (as defined in the Indenture) shall occur, the principal of all outstanding Bonds may be declared immediately due and payable upon the conditions, in the manner and with the effect provided in the Indenture; except that the Indenture provides that in certain events such declaration and its consequences may be rescinded by the registered owners of at least a majority in aggregate principal amount of the Bonds then outstanding.

This Bond is transferable only on the books required to be kept for that purpose at the office of the Trustee by the registered owner hereof in person or by his duly authorized attorney upon payment of the charges provided in the Indenture and upon surrender of this Bond together with a written instrument of transfer in a form approved by the Trustee duly executed by the registered owner or his duly authorized attorney, and thereupon a new fully registered Bond or Bonds in the same aggregate principal amount will be issued to the transferee in exchange therefor. The Trustee shall not be required to register the transfer of or exchange any Bond (1) during the period commencing with the close of business on the fifteenth day next preceding any interest payment date and ending on such interest payment date, (2) during the period commencing 15 days before the mailing of any notice of redemption and ending on the day of such mailing, or (3) which has been selected for redemption in whole or in part.

The Authority and the Trustee may deem and treat the registered owner hereof as the absolute owner hereof for the purpose of receiving payment of the interest hereon and principal hereof and for all other purposes, whether or not this Bond shall be overdue, and neither the Authority nor the Trustee shall be affected by any notice or knowledge to the contrary; and payment of the interest on and principal of this Bond shall be made only to such registered owner, which payments shall be valid and effectual to satisfy and discharge liability on this Bond to the extent of the sum or sums so paid.

The rights and obligations of the Authority and of the registered owners of the Bonds may be amended at any time in the manner, to the extent and upon the terms provided in the Indenture, but no such amendment shall (1) extend the maturity of this Bond or reduce the interest rate hereon or otherwise alter or impair the obligation of the Authority to pay the interest hereon or principal hereof at the time and place and at the rate and in the currency provided herein without the express written consent of the registered owner of this Bond, (2) except as otherwise provided in the Indenture, permit the creation by the Authority of any pledge of the

Revenues superior to or on a parity with the pledge created by the Indenture for the benefit of the Bonds, (3) modify any rights or obligations of the Trustee without its prior written assent thereto, all as more fully set forth in the Indenture.

If the Authority shall pay or cause to be paid or there shall otherwise be paid to the registered owners of all outstanding Bonds the interest thereon, the principal thereof and the redemption premiums, if any, thereon at the times and in the manner stipulated herein and in the Indenture, then the registered owners of such Bonds shall cease to be entitled to the pledge of the Revenues as provided in the Indenture, and all agreements, covenants and other obligations of the Authority to the registered owners of such Bonds under the Indenture shall thereupon cease, terminate and become void and be discharged and satisfied.

This Bond shall not be entitled to any benefit, protection or security under the Indenture or become valid or obligatory for any purpose until the certificate of authentication and registration hereon endorsed shall have been manually executed and dated by the Trustee.

IN WITNESS WHEREOF, the Turlock Public Financing Authority has caused this Bond to be executed in its name and on its behalf by the manual or facsimile signature of its Executive Director and attested to by the manual or facsimile signature of its Secretary, and has caused this Bond to be dated the Dated Date as set forth above.

TURLOCK PUBLIC FINANCING AUTHORITY

By \_\_\_\_\_  
Executive Director

Attest:

\_\_\_\_\_  
Secretary

[FORM OF CERTIFICATE OF AUTHENTICATION  
AND REGISTRATION]

This is one of the Bonds described in the within-mentioned Indenture which has been authenticated and registered on \_\_\_\_\_, 2012.

U.S. BANK NATIONAL ASSOCIATION  
as Trustee

By \_\_\_\_\_  
Authorized Officer

[FORM OF ASSIGNMENT TO APPEAR ON 2012 BONDS]

For value received the undersigned hereby sells, assigns and transfers unto \_\_\_\_\_ the within bond and all rights thereunder, and hereby irrevocably constitutes and appoints \_\_\_\_\_, attorney, to transfer the within bond on the books kept for registration thereof, with full power of substitution in the premises.

\_\_\_\_\_

Dated: \_\_\_\_\_

NOTE: The signature to this Assignment must correspond with the name as written upon the face of the bond in every particular, without alteration or enlargement or any change whatsoever.

Signature Guaranteed:

\_\_\_\_\_

NOTICE: The signature must be guaranteed by an eligible guarantor institution.

MASTER  
INSTALLMENT PURCHASE  
AGREEMENT  
between the  
CITY OF TURLOCK

and the

TURLOCK PUBLIC FINANCING AUTHORITY

Dated as of September 1, 2012

RELATING TO  
INSTALLMENT PAYMENTS SECURED BY  
THE SEWER FUND OF  
THE CITY OF TURLOCK, CALIFORNIA

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## MASTER INSTALLMENT PURCHASE AGREEMENT

This MASTER INSTALLMENT PURCHASE AGREEMENT, dated as of September 1, 2012, between the CITY OF TURLOCK, a municipal corporation duly organized and existing under and by virtue of the laws of the State of California (the "City"), and the TURLOCK PUBLIC FINANCING AUTHORITY, a joint exercise of powers entity duly organized and existing under and by virtue of the laws of the State of California (the "Authority");

### W I T N E S S E T H:

WHEREAS, the City has previously undertaken and proposes to undertake in the future the acquisition, construction, installation and improvement of its sewer system (the "Project");

WHEREAS, the Authority has previously assisted the City in financing and refinancing components of the Project and has agreed to assist the City in financing and refinancing components of the Project for the City;

WHEREAS, the Authority proposes to sell components of the Project from time to time to the City and the City desires to purchase components of the Project from the Authority upon the terms and conditions set forth herein;

WHEREAS, the City has determined that the purchase of components of the Project by the City is necessary and proper for City uses and purposes;

WHEREAS, the City and the Authority have duly authorized the execution of this Installment Purchase Agreement;

WHEREAS, all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and delivery of this Installment Purchase Agreement do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into this Installment Purchase Agreement;

NOW, THEREFORE, IN CONSIDERATION OF THESE PREMISES AND OF THE MUTUAL AGREEMENTS AND COVENANTS CONTAINED HEREIN AND FOR OTHER VALUABLE CONSIDERATION, THE PARTIES HERETO DO HEREBY AGREE AS FOLLOWS:

### ARTICLE I

#### DEFINITIONS

Section 1.01. Definitions. Unless the context otherwise requires, the terms defined in this section shall for all purposes hereof and of any amendment hereof or supplement hereto and of any report or other document mentioned herein or therein have the meanings

defined herein, all of the following definitions shall be equally applicable to both the singular and plural forms of any of the terms defined herein:

Accountant's Report

The term "Accountant's Report" means a report signed by an Independent Certified Public Accountant.

Acquisition or Construction Fund

The term "Acquisition or Construction Fund" means any fund designated as such and established pursuant to any Issuing Instrument.

Authority

The term "Authority" means the Turlock Public Financing Authority, a joint exercise of powers entity duly organized and existing under and by virtue of the laws of the State of California.

Authorized City Representative

The term "Authorized City Representative" means the Mayor or the City Manager of the City or such other officer or employee of the City or other person who has been designated in writing as such representative by any of the foregoing or by resolution of the City Council of the City.

Balloon Indebtedness

The term "Balloon Indebtedness" means, with respect to any Series of Obligations twenty-five percent (25%) or more of the principal of which matures on the same date or within a 12-month period (with sinking fund payments on Term Obligations deemed to be payments of matured principal), that portion of such Series of Obligations which matures on such date or within such 12-month period; provided, however, that to constitute Balloon Indebtedness the amount of indebtedness maturing on a single date or over a 12-month period must equal or exceed 150% of the amount of such Series of Obligations which matures during any preceding 12-month period. For purposes of this definition, the principal amount maturing on any date shall be reduced by the amount of such indebtedness which is required, by the documents governing such indebtedness, to be amortized by prepayment or redemption prior to its stated maturity date.

Bond Counsel

The term "Bond Counsel" means a firm of attorneys which are nationally recognized as experts in the area of municipal finance.

## City

The term “City” means the City of Turlock, a municipal corporation, duly organized and existing under and by virtue of the laws of the State of California.

## Code

The term “Code” means the Internal Revenue Code of 1986, as amended, and the regulations thereunder and any successor to the Internal Revenue Code of 1986.

## Components

The term “Components” means components of the Project specified in a Supplement.

## Consultant

The term “Consultant” means the consultant, consulting firm, engineer, architect, engineering firm, architectural firm, accountant or accounting firm retained by the City to perform acts or carry out the duties provided for such consultant in this Installment Purchase Agreement. Such consultant, consulting firm, engineer, architect, engineering firm or architectural firm shall be nationally or regionally recognized within its profession for work of the character required. Any such accountants or accounting firms shall be independent certified public accountants licensed to practice in the State of California.

## Contracts

The term “Contracts” means any contract or lease of the City (including the Installment Purchase Agreement) authorized and executed by the City, the installment or lease payments of which are payable from the Net System Revenues and which are payable on a parity with Installment Payments.

## Credit Provider

The term “Credit Provider” means any municipal bond insurance company, bank or other financial institution or organization which is performing in all material respects its obligations under any Credit Support arrangements for some or all of the Parity Obligations.

## Credit Provider Reimbursement Obligations

The term “Credit Provider Reimbursement Obligations” means obligations of the City to repay, from Net System Revenues, amounts advanced by a Credit Provider as credit support or liquidity for Parity Obligations, including any interest on or other payments with respect to such amounts.

### Credit Support

The term “Credit Support” means a policy of insurance, a letter of credit, a stand-by purchase agreement, revolving credit agreement or other credit arrangement pursuant to which a Credit Provider provides credit or liquidity support with respect to the payment of interest, principal or the purchase price of any Parity Obligations.

### Debt Service

Except as otherwise provided in the next sentence, the term “Debt Service” means, for any Fiscal Year, the sum of (1) the interest payable during such Fiscal Year on all Outstanding Parity Obligations, assuming that all Outstanding Serial Parity Obligations are retired as scheduled and that all Outstanding Term Parity Obligations are redeemed or paid from sinking fund payments as scheduled (except to the extent that such interest is to be paid from the proceeds of sale of any Parity Obligations), (2) that portion of the principal amount of all Outstanding Serial Parity Obligations maturing on the next succeeding principal payment date which falls in such Fiscal Year (excluding Serial Obligations which at the time of issuance are intended to be paid from the sale of a corresponding amount of Parity Obligations), (3) that portion of the principal amount of all Outstanding Term Parity Obligations required to be redeemed or paid on any redemption date which falls in such Fiscal Year (together with the redemption premiums, if any, thereon), and (4) any other regularly scheduled payments coming due on Parity Obligations in such Fiscal Year and not otherwise included in clauses (1) through (3) of this definition; provided that, (a) as to any Balloon Indebtedness, Tender Indebtedness and Variable Rate Indebtedness, interest thereon shall be calculated as provided in the definition of Maximum Annual Debt Service and principal shall be deemed due at the nominal maturity dates thereof; (b) the amount on deposit in a debt service reserve fund on any date of calculation of Debt Service shall be deducted from the amount of principal due at the final maturity of the Parity Obligations for which such debt service reserve fund was established and in each preceding year until such amount is exhausted; (c) the amount of any interest payable on any Parity Obligation for which there exists a Qualified Swap Agreement shall be the net amount payable by the City as provided in subsection (iv), subsection (v) or subsection (viii), as applicable, of the definition of Maximum Annual Debt Service; (d) the amount of payments on account of Parity Obligations which are redeemed, retired or repaid on the basis of the accreted value due on the scheduled redemption, retirement or repayment date shall be deemed principal payments, and interest that is compounded and paid as part of the accreted value shall be deemed payable on the scheduled redemption, retirement or repayment date but not before; and (e) principal of and interest on Outstanding Parity Obligations shall be reduced by the amount of any Subsidy Payments that the City receives or expects to receive relating to or in connection with such Outstanding Parity Obligations.

### Defaulted Obligations

The term “Defaulted Obligations” means Obligations in respect of which an Event of Default has occurred and is continuing.

### Engineer's Report

The term "Engineer's Report" means a report signed by an Independent Engineer.

### Event of Default

The term "Event of Default" means an event described in Section 8.01.

### Fiscal Year

The term "Fiscal Year" means the period beginning on July 1 of each year and ending on the next succeeding June 30, or any other twelve-month period selected and designated as the official Fiscal Year of the City.

### Independent Certified Public Accountant

The term "Independent Certified Public Accountant" means any firm of certified public accountants appointed by the City, and each of whom is independent pursuant to the Statement on Auditing Standards No. 1 of the American Institute of Certified Public Accountants.

### Independent Engineer

The term "Independent Engineer" means any registered engineer or firm of registered engineers of national or regional reputation generally recognized to be well qualified in engineering matters relating to wastewater systems, appointed and paid by the City.

### Installment Payment Date

The term "Installment Payment Date" means any date on which an Installment Payment is due as specified in or determined pursuant to a Supplement.

### Installment Payments

The term "Installment Payments" means the Installment Payments scheduled to be paid by the City under and pursuant hereto and any Supplement.

### Installment Payment Obligations

The term "Installment Payment Obligations" means Obligations consisting of or which are supported in whole by Installment Payments.

### Installment Purchase Agreement

The term "Installment Purchase Agreement" means this Master Installment Purchase Agreement between the City and the Authority, dated as of September 1, 2012, as originally executed and as it may from time to time be amended or supplemented in accordance herewith.

### Issuing Instrument

The term “Issuing Instrument” shall mean any indenture, trust agreement or Installment Purchase Agreement including any Supplement or any other document under which Obligations are issued or created.

### Maintenance and Operation Costs of the Sewer System

The term “Maintenance and Operation Costs of the Sewer System” means the reasonable and necessary costs spent or incurred by the City for maintaining and operating the Sewer System, calculated in accordance with generally accepted accounting principles, including (among other things) the reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Sewer System in good repair and working order, and including administrative costs of the City attributable to the Project and the Installment Purchase Agreement, salaries and wages of employees, payments to employees retirement systems (to the extent paid from System Revenues), overhead, taxes (if any), fees of auditors, accountants, attorneys or engineers and insurance premiums, and including all other reasonable and necessary costs of the City or charges required to be paid by it to comply with the terms of the Obligations, including this Installment Purchase Agreement, including any amounts required to be deposited in the Rebate Fund pursuant to the Tax Certificate, and fees or expenses payable to any Credit Provider (other than in repayment of a Credit Provider Reimbursement Obligation), but excluding in all cases (i) depreciation, replacement and obsolescence charges or reserves therefor, (ii) amortization of intangibles or other bookkeeping entries of a similar nature, (iii) costs of capital additions, replacements, betterments, extensions or improvements to the Sewer System which under generally accepted accounting principles are chargeable to a capital account or to a reserve for depreciation, (iv) charges for the payment of principal and interest on any general obligation bond heretofore or hereafter issued for Sewer System purposes, and (v) charges for the payment of principal and interest on any debt service on account of any obligation on a parity with or subordinate to the Installment Payments.

### Maximum Annual Debt Service

The term “Maximum Annual Debt Service” means, at any point in time, with respect to Parity Obligations then Outstanding, the maximum amount of principal and interest becoming due on the Parity Obligations in the then current or any future Fiscal Year, calculated by the City, a financial Consultant or an Independent Certified Public Accountant as provided in this definition and provided to the Trustee. For purposes of calculating Maximum Annual Debt Service, the following assumptions shall be used to calculate the principal and interest becoming due in any Fiscal Year:

- (i) in determining the principal amount due in each year, payments shall (except to the extent a different subsection of this definition applies for purposes of determining principal maturities or amortization) be assumed to be made in accordance with any amortization schedule established for such debt, including the amount of any Parity Obligations which are or have the characteristics of commercial paper and which are not intended at the time of issuance to be retired from the sale of a corresponding amount of Parity Obligations, and including any scheduled mandatory redemption or

prepayment of Parity Obligations on the basis of principal or accreted value (as applicable) due upon such redemption or prepayment, and for such purpose, the redemption payment or prepayment shall be deemed a principal payment; in determining the interest due in each year, interest payable at a fixed rate shall (except to the extent subsection (ii) or (iii) of this definition applies) be assumed to be made at such fixed rate and on the required payment dates;

(ii) if all or any portion or portions of an Outstanding Series of Parity Obligations constitutes Balloon Indebtedness or if all or any portion or portions of a Series of Parity Obligations or such payments then proposed to be issued would constitute Balloon Indebtedness, then, for purposes of determining Maximum Annual Debt Service, each maturity which constitutes Balloon Indebtedness shall be treated as if it were to be amortized in substantially equal annual installments of principal and interest over a term of 25 years commencing in the year the stated maturity of such Balloon Indebtedness occurs, the interest rate used for such computation shall be determined as provided in subsection (iv) or (v) below, as appropriate, and all payments of principal and interest becoming due prior to the year of the stated maturity of the Balloon Indebtedness shall be treated as described in subsection (i) above;

(iii) if any of the Outstanding Series of Parity Obligations constitutes Tender Indebtedness or if Parity Obligations proposed to be issued would constitute Tender Indebtedness, then for purposes of determining Maximum Annual Debt Service, Tender Indebtedness shall be treated as if the principal amount of such Parity Obligations were to be amortized in accordance with the amortization schedule set forth in such Tender Indebtedness or in the standby purchase or liquidity facility established with respect to such Tender Indebtedness, or if no such amortization schedule is set forth, then such Tender Indebtedness shall be deemed to be amortized in substantially equal annual installments of principal and interest over a term of 25 years commencing in the year in which such Series is first subject to tender, the interest rate used for such computation shall be determined as provided in subsection (iv) or (v) below, as appropriate;

(iv) if any Outstanding Parity Obligations constitute Variable Rate Indebtedness (except to the extent subsection (ii) relating to Balloon Indebtedness or subsection (iii) relating to Tender Indebtedness applies), the interest rate on such Obligation shall be assumed to be the highest of the actual rate on the date of calculation, or if such Variable Rate Indebtedness has been outstanding for at least twelve months, the average rate over the twelve months immediately preceding the date of calculation; provided that in the event that a Qualified Swap Agreement has been entered into with respect to such Variable Rate Indebtedness, the interest rate for purposes of computing Maximum Annual Debt Service shall be determined by (x) calculating the annualized net amount paid by the City under such Variable Rate Indebtedness and Qualified Swap Agreement (after giving effect to payments made under the Variable Rate Indebtedness and made and received by the City under the Qualified Swap Agreement) during the 12 months ending with the month preceding the date of calculation, or such shorter period that such Qualified Swap Agreement has been in effect, and (y) dividing the amount calculated in clause (x) by the average daily balance of the related Parity Obligations Outstanding during the 12-month period contemplated by clause (x);

(v) if Parity Obligations proposed to be issued will be Variable Rate Indebtedness (except to the extent subsection (ii) relating to Balloon Indebtedness or subsection (iii) relating to Tender Indebtedness applies), then such Parity Obligations shall be assumed to bear interest based on the following: if interest on the proposed Variable Rate Indebtedness is excludable from gross income under the applicable provisions of the Code, the most recently published Bond Buyer "Revenue Bond Index" (or comparable index, if no longer published) plus 50 basis points, or if interest is not so excludable, the interest rate on direct U.S. Treasury Obligations with comparable maturities plus 50 basis points; provided that in the event that a Qualified Swap Agreement has been or is proposed to be entered into with respect to such Variable Rate Indebtedness, the interest rate for purposes of computing Maximum Annual Debt Service shall be determined by (a) calculating the net amount to be paid by the City under such Variable Rate Indebtedness and Qualified Swap Agreement (after giving effect to payments to be made under the Variable Rate Indebtedness and to be made and received by the City under the Qualified Swap Agreement) for the period during which the Qualified Swap Agreement is to be in effect and for this purpose any variable rate of interest agreed to be paid thereunder shall be deemed to be the rate at which the related Parity Obligation shall be assumed to bear interest, and (b) dividing the amount calculated in clause (a) by the average principal amount of the related Parity Obligation to be Outstanding during the first year after the issuance of such Parity Obligation;

(vi) if moneys or Permitted Investments have been deposited by the City into a separate fund or account or are otherwise held by the City or by a fiduciary to be used to pay principal and/or interest on specified Parity Obligations, then the principal and/or interest to be paid from such moneys, Permitted Investments or from the earnings thereon shall be disregarded and not included in calculating Maximum Annual Debt Service;

(vii) if Parity Obligations are Paired Obligations, the interest thereon shall be the resulting linked rate or effective fixed rate to be paid with respect to such Paired Obligations;

(viii) if an agreement or commitment which, at the time of calculation is a Qualified Swap Agreement, is or will be in effect with respect to a Parity Obligation which is not Variable Rate Indebtedness, the interest rate of such Parity Obligation for purposes of calculating Maximum Annual Debt Service shall be calculated as follows:

(a) for such a Qualified Swap Agreement which is in effect on the date of calculation, the interest rate shall be calculated in the same manner as is specified in subsection (iv) for a Qualified Swap Agreement issued in connection with Variable Rate Indebtedness which is Outstanding on the date of calculation; and

(b) for such a Qualified Swap Agreement which is not in effect on the date of calculation, the interest rate shall be calculated in the same manner as is specified in subsection (v) for a Qualified Swap Agreement to be issued in connection with Variable Rate Indebtedness to be Outstanding after the date of calculation, and for this purpose any variable rate of interest agreed to be paid

thereunder shall be assumed to be the rate assumed for Variable Rate Indebtedness described in subsection (v); and

(ix) principal of and interest on Parity Obligations shall be reduced by the amount of any Subsidy Payments that the City receives or expects to receive relating to or in connection with such Parity Obligations.

#### Maximum Rate

The term “Maximum Rate” means, on any day, the maximum interest rate allowed by law.

#### Moody’s

The term “Moody’s” means Moody’s Investors Service, Inc., a Delaware corporation, and its successors, and if such corporation shall for any reason no longer perform the functions of a securities rating agency, the term “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency designated by the City.

#### Net Proceeds

The term “Net Proceeds” means, when used with respect to any insurance, self insurance or condemnation award, the proceeds from such award remaining after payment of all expenses (including attorneys’ fees) incurred in the collection of such proceeds.

#### Net System Revenues

The term “Net System Revenues” means, for any Fiscal Year, the System Revenues for such Fiscal Year less the Maintenance and Operation Costs of the Sewer System for such Fiscal Year; provided, that for purposes of the calculations required pursuant to Sections 5.03(c), 6.08(a) and 6.19, Net System Revenues for a Fiscal Year shall be reduced by the amount of any Subsidy Payments received or expected to be received by the City in such Fiscal Year with respect to or in connection with Outstanding Parity Obligations the extent the calculation of Debt Service on such Outstanding Parity Obligations is reduced by such Subsidy Payments as provided in the definition of Debt Service.

#### Obligations

The term “Obligations” means (i) obligations of the City for money borrowed (such as bonds, notes or other evidences of indebtedness) or as installment purchase payments under any contract (including Installment Payments), or as lease payments under any financing lease (determined to be such in accordance with generally accepted accounting principles), the payments on which are payable from Net System Revenues; (ii) obligations to replenish any debt service reserve funds with respect to such obligations of the City; (iii) obligations secured by or payable from any of such obligations of the City; and (iv) obligations of the City payable from Net System Revenues under (a) any contract providing for payments based on levels of, or changes in, interest rates, currency exchange rates, stock or other indices, (b) any contract to exchange cash flows or a series of payments or (c) any contract to hedge payment, currency, rate

spread or similar exposure, including but not limited to interest rate swap agreements and interest rate cap agreements.

### Outstanding

The term “Outstanding,” when used as of any particular time with respect to Obligations, means all Obligations theretofore or thereupon executed, authenticated and delivered by the City or any trustee or other fiduciary, except (i) Obligations theretofore cancelled or surrendered for cancellation; (ii) Obligations paid or deemed to be paid within the meaning of any defeasance provisions thereof; (iii) Obligations owned by the City or the Authority; and (iv) Obligations in lieu of or in substitution for which other Obligations have been executed and delivered.

### Owner

The term “Owner” means the registered owner of any Outstanding Obligation certificate or other evidence of a right to receive Installment Payments directly or as security for payment of the Obligation.

### Paired Obligations

The term “Paired Obligations” means any Series (or portion thereof) of Parity Obligations designated as Paired Obligations in a Supplement or related Issuing Instrument or other document authorizing the issuance or incurrence thereof, which are simultaneously issued or incurred (i) the principal of which is of equal amount maturing and to be redeemed (or cancelled after acquisition thereof) on the same dates and in the same amounts, and (ii) the interest rates which, taken together, result in an irrevocably fixed interest rate obligation of the City for the terms of such Paired Obligations.

### Parity Installment Obligation

The term “Parity Installment Obligation” means Obligations consisting of or payable from Installment Payments which are not subordinated in right of payment to other Installment Payments.

### Parity Obligations

The term “Parity Obligations” means (i) Parity Installment Obligations, (ii) Obligations the payments with respect to which are payable on a parity with Parity Installment Obligations, (iii) Qualified Take or Pay Obligations, (iv) Qualified Swap Agreements, (v) Credit Provider Reimbursement Obligations and (vi) the payment obligations of the City secured by Net System Revenues pursuant to those two separate Project Finance Agreements, each dated as of December 28, 2011, between the City and the California State Water Resources Control Board. Notwithstanding the foregoing, any amounts payable with respect to a Qualified Swap Agreement which represent termination payments or unwinding payments shall not be deemed to be Parity Obligations unless (a) such Qualified Swap Agreement expressly states that such termination payments or unwinding payments are to be considered Parity Obligations and (b) each Rating Agency which maintains a rating with respect

to any Parity Obligation at the request of the City confirms in writing to the City that the inclusion of such termination payments or unwinding payments as Parity Obligations will not result in a downgrading, withdrawal or suspension of such rating.

#### Paying Agent or Paying Agents

The term “Paying Agent” or “Paying Agents” means, with respect to an Installment Payment Obligation or Series of Installment Payment Obligations, the bank, trust company or other financial institution, if any, or other entities designated as the place or entity which shall make payment on such Installment Payment Obligation or a Series of Installment Payment Obligations and/or the interest thereon instead of or in addition to the City.

#### Payment Fund

The term “Payment Fund” means the fund designated in the Issuing Instrument as the fund into which Installment Payments are to be deposited for the purposes of paying payments on related Obligations.

#### Permitted Investments

The term “Permitted Investments” means investments which pursuant to an Issuing Instrument are permissible for the investment of funds received from the sale of Obligations pursuant to the Issuing Instrument or from other funds held pursuant to the Issuing Instrument.

#### Project

The term “Project” means the construction, replacement and improvements to the Sewer System.

#### Purchase Price

The term “Purchase Price” means the principal amount plus interest thereon owed by the City to the Authority under the terms hereof as provided in Section 4.01 and as specified in a Supplement.

#### Qualified Swap Agreement

The term “Qualified Swap Agreement” means a contract or agreement, payable from Net System Revenues on a parity with Parity Obligations, intended to place Obligations on the interest rate, currency, cash flow or other basis desired by the City, including, without limitation, any interest rate swap agreement, currency swap agreement, forward payment conversion agreement or futures contract, any contract providing for payments based on levels of, or changes in, interest rates, currency exchange rates, stock or other indices, any contract to exchange cash flows or a series of payments, or any contract, including, without limitation, an interest rate floor or cap, or an option, put or call, to hedge payment, currency, rate, spread or similar exposure, between the City and a counterparty.

### Qualified Take or Pay Obligation

The term “Qualified Take or Pay Obligation” means the obligation of the City to make use of any facility, property or services, or some portion of the capacity thereof, or to pay therefor from System Revenues, or both, whether or not such facilities, properties or services are ever made available to the City for use, and there is provided by the City a certificate of the City or, at the City’s option, a Consultant to the effect that the incurrence of such obligation will not adversely affect the ability of the City to comply with the provisions of Section 6.08(a) for each of the five (5) full Fiscal Years following the execution of such proposed Qualified Take or Pay Obligation.

### Rating Agencies

The term “Rating Agencies” means Moody’s and S&P, or whichever of them is rating Parity Obligations at the request of the City.

### Rebate Fund

The term “Rebate Fund” means the fund by that name established pursuant to any Issuing Instrument.

### Rebate Requirement

The term “Rebate Requirement” shall have the meaning specified in any Tax Certificate.

### Reserve Fund and Reserve Account

The terms “Reserve Fund” and “Reserve Account” shall have the meanings given to such terms in any Issuing Instrument.

### Reserve Fund Deposit Amount

The term “Reserve Fund Deposit Amount” means (i) the amount necessary to cause the amount on deposit in the applicable Reserve Fund or Reserve Account to equal the applicable Reserve Requirement, in the case of deposits being made annually, and (ii) one-fourth of the amount described in clause (i) in the case of deposits being made quarterly; provided that the last such quarterly deposit may be in such lesser amount as is necessary to cause the balance in such Reserve Fund or Reserve Account to equal the applicable Reserve Requirement.

### Reserve Fund Deposit Date

The term “Reserve Fund Deposit Date” means (i) each March 15, June 15, September 15, and December 15 in the case of a deficiency in any Reserve Fund or Reserve Account due to the withdrawal of cash from, or the unreimbursed drawing on any credit facility on deposit in, any Reserve Fund or Reserve Account, and (ii) each September 15 in the case of a deficiency in any Reserve Fund or Reserve Account for any other reason, including without

limitation the downward valuation of investments on deposit in such Reserve Fund or Reserve Account.

#### Reserve Requirement

The term “Reserve Requirement” shall have the meaning given to such term in any Issuing Instrument.

#### S&P

The term “S&P” means Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., and its successors, and if such entity shall for any reason no longer perform the functions of a securities rating agency, “S&P” shall be deemed to refer to any other nationally recognized securities rating agency designated by the City.

#### Serial Parity Obligations

The term “Serial Parity Obligations” means Serial Obligations which are Parity Installment Obligations or are payable on a parity with Parity Installment Obligations.

#### Serial Obligations

The term “Serial Obligations” means Obligations for which no sinking fund payments are provided.

#### Series

The term “Series” means Obligations issued at the same time or sharing some other common term or characteristic and designated as a separate Series.

#### Sewer Fund

The term “Sewer Fund” has the meaning ascribed thereto in Section 5.02 hereof.

#### Sewer Service

The term “Sewer Service” means the wastewater collection and treatment services made available or provided by the Sewer System.

#### Sewer System

The term “Sewer System” means any and all facilities, properties and improvements at any time owned, controlled or operated by the City as part of the Sewer Fund for the collection, treatment, distribution, administration, disposal or reclamation of wastewater.

#### Subordinated Obligations

The term “Subordinated Obligations” means any Obligations, the payment of principal and interest on which are subordinated in right of payment to Parity Obligations.

### Subsidy Payments

The term “Subsidy Payments” means payments with respect to the interest due on any Parity Obligations or the interest due on any obligations secured by Parity Obligations made by the United States Treasury to the City, the Authority, or either of their designated payees pursuant to Section 54AA of the Code, Section 6431 of the Code or Section 1400U-2 of the Code or any successor to or extension or replacement of any of such provisions of the Code, or any provisions of the Code that create substantially similar direct-pay subsidy programs to such programs created pursuant to Sections 54AA, Section 6431 or Section 1400U-2 of the Code.

### Supplement

The term “Supplement” means a Supplement providing for the payment of specific Installment Payments as the Purchase Price for Components of the Project, executed and delivered by the City and the Authority.

### System Revenues

The term “System Revenues” means all income, rents, rates, fees, charges and other moneys derived from the ownership or operation of the Sewer System determined in accordance with generally accepted accounting principles, including, without limiting the generality of the foregoing, (i) all income, rents, rates, fees, charges (including standby, capacity and connection charges), or other moneys derived by the City from the wastewater services, facilities, and commodities or byproducts sold, furnished or supplied through the facilities of or in the conduct or operation of the business of the Sewer System, excluding revenues derived from the sale of reclaimed water, but including, without limitation, all earnings and income derived from the investment of all such money and derived from the investment of all money in the Sewer Fund and investment earnings on the operating reserves to the extent that the use of such earnings is limited to the Sewer System by or pursuant to law and earnings on any Reserve Fund for Obligations but only to the extent that such earnings may be utilized under the Issuing Instrument for the payment of such Obligations; (ii) the proceeds derived by the City directly or indirectly from the lease of a part of the Sewer System; (iii) any amount received from the levy or collection of taxes which are solely available and are earmarked for the support of the operation of the Sewer System; (iv) such other income, charges, revenues or moneys as the City may specify in a Certificate of the City filed with each Trustee, including without limitation revenues so specified by the City which are derived from the sale of reclaimed water (notwithstanding the exclusion thereof under clause (i) of this definition), provided that such Certificate of the City confirms that, following the filing of such Certificate of the City (A) the requirements of Section 6.08(a) shall be satisfied for the most recently completed Fiscal Year for which audited financial statements are available and (B) the income, charges, revenues or moneys specified in such Certificate of the City shall be accounted for separately from the System Revenues; (v) all proceeds of insurance covering business interruption loss relating to the Sewer System; and (vi) any Subsidy Payments. Notwithstanding the foregoing, System Revenues shall not include: (a) in all cases, customers’ deposits or any other deposits or advances subject to refund until such deposits or advances have become the property of the City; and (b) the proceeds of borrowings. Notwithstanding the foregoing, there shall be deducted from System Revenues any amounts transferred into a Rate Stabilization Fund as contemplated by

Section 6.08(b), and there shall be added to System Revenues any amounts transferred out of such Rate Stabilization Fund to pay Maintenance and Operation Costs of the Sewer System.

#### Tax Certificate

The term “Tax Certificate” means any certificate delivered with respect to the maintenance of the tax-exempt status of Tax-Exempt Installment Payment Obligations.

#### Tax-Exempt Installment Payment Obligations

The term “Tax-Exempt Installment Payment Obligations” means Installment Payment Obligations in respect of which it is intended that the interest component thereof will be excluded from gross income pursuant to Section 103 of the Code.

#### Tender Indebtedness

The term “Tender Indebtedness” means any Parity Obligations or portions of Parity Obligations, a feature of which is an option, on the part of the holders thereof, or an obligation, under the terms of such Parity Obligations, to tender all or a portion of such Parity Obligations to the City, a Paying Agent or other fiduciary or agent for payment or purchase and requiring that such Parity Obligations or portions of Parity Obligations or that such rights to payments or portions of payments be purchased if properly presented.

#### Term Obligations

The term “Term Obligations” means Obligations which are payable on or before their specified maturity dates from sinking fund payments established for that purpose and calculated to retire such Obligations on or before their specified maturity dates.

#### Term Parity Obligations

The term “Term Parity Obligations” means Term Obligations which are Parity Installment Obligations or are payable on a parity with Parity Installment Obligations.

#### Trustee

The term “Trustee” means a financial institution acting in its capacity as Trustee under and pursuant to the any Issuing Instrument, and its successors and assigns.

#### Variable Rate Indebtedness

The term “Variable Rate Indebtedness” means any portion of indebtedness evidenced by Parity Obligations the interest rate on which is not established at the time of incurrence of such indebtedness and has not, at some subsequent date, been established at a rate which is not subject to fluctuation or subsequent adjustment, excluding Paired Obligations.

## ARTICLE II

### REPRESENTATIONS AND WARRANTIES

Section 2.01. Representations by the City. The City makes the following representations:

(a) The City is a municipal corporation organized and existing under and by virtue of the laws of the State of California.

(b) The City has full legal right, power and authority to enter into this Installment Purchase Agreement and carry out its obligations hereunder and to carry out and consummate all transactions contemplated by this Installment Purchase Agreement.

(c) By proper action, the City has duly authorized the execution, delivery and due performance of this Installment Purchase Agreement.

(d) The execution and delivery of this Installment Purchase Agreement and the consummation of the transactions herein contemplated will not violate any provision of law, any order of any court or other agency of government, or any indenture, material agreement or other instrument to which the City is now a party or by which it or any of its properties or assets is bound, or be in conflict with, result in a breach of or constitute a default (with due notice or the passage of time or both) under any such indenture, agreement or other instrument, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the properties or assets of the City.

(e) The City has determined that it is necessary and proper for the City uses and purposes that the City acquire components of the Project in the manner provided for in this Installment Purchase Agreement, in order to provide essential services and facilities to the persons residing in the City.

Section 2.02. Representations and Warranties by the Authority. The Authority makes the following representations and warranties:

(a) The Authority is a joint exercise of powers entity duly organized and existing under and by virtue of the laws of the State of California.

(b) The Authority has full legal right, power and authority to enter into this Installment Purchase Agreement and to carry out and consummate all transactions contemplated by this Installment Purchase Agreement.

(c) By proper action, the Authority has duly authorized the execution, delivery and due performance of this Installment Purchase Agreement.

(d) The execution and delivery of this Installment Purchase Agreement and the consummation of the transactions herein contemplated will not violate any provision of law, any order of any court or other agency of government, or any indenture, material agreement or other instrument to which the Authority is now a party or by which it or any of its properties or

assets is bound, or be in conflict with, result in a breach of or constitute a default (with due notice or the passage of time or both) under any such indenture, agreement or other instrument, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the properties or assets of the Authority.

(e) The interest components of Tax-Exempt Installment Payment Obligations will not be includable in the gross income of the owners of such Obligations for federal income tax purposes.

### ARTICLE III

#### ACQUISITION AND CONSTRUCTION OF COMPONENTS OF THE PROJECT

Section 3.01. Acquisition and Construction of the Components. The Authority hereby agrees to cause the Components to be constructed, acquired and installed by the City, as agent of the Authority. The City shall enter into contracts and provide for, as agent of the Authority, the complete construction, acquisition and installation of such Components. The City hereby agrees that it will cause the construction, acquisition and installation of the Components to be diligently performed.

It is hereby expressly understood and agreed that, except to the extent of proceeds of Obligations which are deposited in an Acquisition or Construction Fund, the Authority shall be under no liability of any kind or character whatsoever for the payment of any cost of any Components. In the event the proceeds of Obligations deposited in an Acquisition or Construction Fund are insufficient to complete the construction, acquisition and installation of Components, the City shall cause to be deposited in such Acquisition or Construction Fund (or shall otherwise appropriate and encumber) from and to the extent of available amounts on deposit in the Sewer Fund (or other lawfully available moneys) an amount equal to that necessary to complete the construction, acquisition and installation of such Components.

The Authority will not undertake to cause any Component to be constructed, acquired or installed unless and until the City and the Authority have entered into a Supplement specifying the Components to be installed and the purchase price to be paid by the City hereunder for such Components, and the Installment Payments or the method of calculating Installment Payments.

Section 3.02. Changes to the Components. The City may substitute other improvements for those listed as Components in any Supplement, but only if the City first files with the Authority and the Trustee a certificate of an Authorized City Representative:

- (i) identifying the Components to be substituted and the Components they replace;
- (ii) stating that the substituted Components will be owned by the Sewer Fund; and
- (iii) stating that with respect to Components financed with Tax-Exempt Installment Payment Obligations, the estimated costs of construction, acquisition and

installation of the substituted improvements are not less than such costs for the improvements previously planned (or that the amount of any excess has been deposited in an Acquisition or Construction Fund or is otherwise appropriated and encumbered).

Substituted Components may include or consist of an undivided interest in such Components, in which event the costs associated with the substituted Components over and above the undivided interest need not be deposited in an Acquisition or Construction Fund (or otherwise appropriated and encumbered); provided that the certificate of an Authorized City Representative specifies that the funds necessary to complete the substituted Components are on deposit in an Acquisition or Construction Fund or otherwise appropriated and encumbered.

## ARTICLE IV

### INSTALLMENT PAYMENTS

#### Section 4.01. Purchase Price.

(a) The City will pay the Purchase Price for any Components being purchased as provided in a Supplement. The Purchase Price to be paid by the City to the Authority pursuant to any Supplement hereto, solely from Net System Revenues and from no other sources, is the sum of the principal amount of the City's obligations under such Supplement plus the interest to accrue on the unpaid balance of such principal amount from the effective date thereof over the term thereof, subject to prepayment as provided therein.

(b) The principal amount of the Installment Payments to be made by the City under a Supplement shall be paid at least five days prior to the date such Installment Payments are payable as specified in such Supplement or at such other earlier time or times and in the manner or manners as specified in such Supplement.

(c) The interest to accrue on the unpaid balance of such principal amount shall be paid at least five days prior to the date such interest is payable as specified in a Supplement or at such other earlier time or times as specified in such Supplement, and shall be paid by the City as and constitute interest paid on the principal amount of the City's obligations thereunder. Interest shall be payable in an amount not exceeding the Maximum Rate, at such intervals and according to such interest rate formulas as shall be specified in a Supplement, and shall be payable with such frequency as shall be specified therein.

#### Section 4.02. Installment Payments; Reserve Fund Deposits.

(a) The City may, subject to any rights of prepayment provided for in a Supplement, pay to the Authority, solely from Net System Revenues and from no other sources, the Purchase Price in installment payments over a period not to exceed the maximum period permitted by law, all as specified in a Supplement.

In the event that a Trustee notifies the City that the amount on deposit in a Reserve Fund or Reserve Account is less than the applicable Reserve Requirement, the City shall deposit or cause to be deposited, solely from Net System Revenues, in such Reserve Fund or

Reserve Account the Reserve Fund Deposit Amount on or before the next succeeding Reserve Fund Deposit Date.

(b) The obligation of the City to make the Installment Payments solely from Net System Revenues is absolute and unconditional, and until such time as the Purchase Price shall have been paid in full (or provision for the payment thereof shall have been made pursuant to Article IX), the City will not discontinue or suspend any Installment Payments required to be made by it under this section when due, whether or not the Project or any part thereof is operating or operable or has been completed, or its use is suspended, interfered with, reduced or curtailed or terminated in whole or in part, and such Installment Payments shall not be subject to reduction whether by offset or otherwise and shall not be conditioned upon the performance or nonperformance by any party of any agreement for any cause whatsoever.

## ARTICLE V

### SYSTEM REVENUES

Section 5.01. Commitment of the Net System Revenues. All Parity Obligations, including Parity Installment Payment Obligations, shall be secured by a prior lien on and pledge of Net System Revenues, and within such lien priority, such Parity Obligations shall be of equal rank without preference, priority or distinction of any Parity Obligations over any other Parity Obligations. The City does hereby grant such prior lien on and pledge of Net System Revenues to secure Parity Obligations. Such lien and pledge shall constitute a first lien on Net System Revenues; provided, however, that out of Net System Revenues there may be apportioned such sums for such purposes as are expressly permitted by this Article V.

Section 5.02. Allocation of System Revenues. (a) In order to carry out and effectuate the commitment and pledge contained in Section 5.01, the City agrees and covenants that all System Revenues shall be received by the City in trust and shall be deposited when and as received in the City of Turlock Sewer Fund (the "Sewer Fund"), which fund the City agrees and covenants to maintain so long as any Parity Obligations remain Outstanding, and all moneys in the Sewer Fund shall be so held in trust and applied and used solely as provided herein. The City shall pay (i) directly or as otherwise required all Maintenance and Operation Costs of the Sewer System, (ii) to the applicable Trustee, as assignee of the Authority, for deposit in the applicable Payment Fund for Parity Obligations or to any other payee for Parity Obligations, the amounts specified in any Issuing Instrument, as payments due on account of Parity Obligations other than (A) payments due on account of Qualified Take or Pay Obligations, (B) payments due by the City under a Qualified Swap Agreement and (C) payments due to any Credit Provider for Credit Provider Reimbursement Obligations, (iii) to the obligee specified therein, any payment due as to Qualified Take or Pay Obligations, (iv) to the counterparty specified in any Qualified Swap Agreement, the amounts or payments due under such Qualified Swap Agreement that constitute Parity Obligations, and (v) to each Credit Provider, or its designated payee, the Credit Provider Reimbursement Obligations which have become due. In the event there are insufficient Net System Revenues to make all of the payments contemplated by clauses (ii), (iii), (iv) and (v) of the immediately preceding sentence due on a given date, then said payments should be made as nearly as practicable, pro rata, based upon the respective unpaid amounts of said Parity Obligations.

(b) On each Reserve Fund Deposit Date, after the payments, if any, required by paragraph (a) above to be made on or before such date have been made, any remaining Net System Revenues shall be used to fund the Reserve Fund Deposit Amount in the applicable Reserve Funds and Reserve Accounts for Parity Obligations. In the event there are insufficient Net System Revenues to pay all of the Reserve Fund Deposit Amounts for all Parity Obligations, such payments into Reserve Funds and Reserve Accounts shall be made as nearly as practicable pro rata based on the respective unpaid principal amount of all Parity Obligations secured by a Reserve Fund or Reserve Account. Any amounts thereafter remaining in the Sewer Fund may from time to time be used to pay for capital expenditures for the Sewer System or any other Sewer System purpose, including payments on account of Subordinated Obligations, provided the following conditions are met:

(1) all Maintenance and Operation Costs of the Sewer System are being and have been paid and are then current; and

(2) all deposits and payments contemplated by clauses (ii), (iii) and (iv) of paragraph (a) above shall have been made in full and no deficiency in any Reserve Fund or Reserve Account for Parity Obligations shall exist, and there shall have been paid, or segregated within the Sewer Fund, the amounts payable during the current month pursuant to clauses (ii), (iii) and (iv) of paragraph (a) above.

Section 5.03. Additional Obligations. (a) The City may not create any Obligations the payments of which are senior or prior in right to the payment by the City of Parity Obligations.

(b) Without regard to Section 5.03(c), the City may at any time enter into or create an obligation or commitment which is a Credit Provider Reimbursement Obligation or a Qualified Swap Agreement provided the Obligation to which the Credit Provider Reimbursement Obligation or the Qualified Swap Agreement relates is a Parity Obligation.

(c) After the initial issuance of Parity Obligations hereunder, the City may at any time and from time to time issue or create any other Parity Obligations, provided:

(1) There shall not have occurred and be continuing (i) an Event of Default under the terms of this Installment Purchase Agreement or any Issuing Instrument or (ii) an Event of Default or Termination Event (as defined in any Qualified Swap Agreement) under any Qualified Swap Agreement; and

(2) The City obtains or provides a certificate or certificates, prepared by the City or at the City's option by a Consultant, showing that either:

(A) the Net System Revenues for either the most recent Fiscal Year for which audited financial statements are available or any 12 consecutive calendar month period during the 18 consecutive calendar month period ending immediately prior to the incurring of such additional Parity Obligations were at least sufficient to satisfy the rate covenant set forth in Section 6.08(a) for each of the next five full Fiscal Years following the incurring of such additional Parity Obligations or each of the next three full Fiscal Years following the incurring of

such additional Parity Obligations during which no interest is capitalized, whichever is later, including the Debt Service during such Fiscal Years on such additional Parity Obligations; and for the purpose of providing such certificate or certificates, the City or the City's Consultant, as applicable, may adjust the Net System Revenues for such Fiscal Year or 12 calendar month period, as the case may be, to reflect:

(i) an allowance for Net System Revenues that would have been derived from each new connection to the Sewer System that was made prior to the incurrence of such additional Parity Obligations but which was not in existence, during all or any part of such Fiscal Year or 12 calendar month period under consideration, in an amount equal to ninety-five per cent (95%) of the estimated additional Net System Revenues that would have been derived from each such connection if it had been made prior to the beginning of such Fiscal Year or 12 calendar month period, and

(ii) an allowance for Net System Revenues that would have been derived from any increase in the rates, fees and charges fixed and prescribed for Sewer Service which became effective prior to the incurrence of such additional Parity Obligations but which was not in effect, during all or any part of such Fiscal Year or 12 calendar month period, in an amount equal to the estimated additional Net System Revenues that would have been derived from such increase in rates, fees and charges if it had been in effect prior to the beginning of such Fiscal Year or 12 calendar month period; or.

(B) the estimated Net System Revenues for each of the five full Fiscal Years next following the earlier of (i) the end of the period during which interest on such additional Parity Obligations is to be capitalized or, if no interest is capitalized, the Fiscal Year in which such additional Parity Obligations are incurred, or (ii) the date on which substantially all Components financed with such additional Parity Obligations plus all Components financed with all existing Parity Obligations are expected to commence operations, will be at least sufficient to satisfy the rate covenant set forth in Section 6.08(a) for such period; and for the purpose of providing such certificate or certificates, the City or the City's Consultant, as applicable, may adjust the foregoing estimated Net System Revenues to reflect:

(i) an allowance for Net System Revenues that are estimated to be derived from any increase in the rates, fees and charges for Sewer Service which have been adopted by the City and which will be in effect during all or any portion of the period for which such estimates are provided; and

(ii) an allowance for Net System Revenues that are estimated to be derived from new customers of the Sewer System anticipated to be served by any additions or improvements to or extensions of the Sewer System reasonably expected to become available during such five year period in an amount equal to ninety-five percent (95%) of the additional Net System Revenues that are estimated to be derived from such customers.

For purposes of clause (B) above, with respect to Maintenance and Operation Costs of the Sewer System, the City or the City's Consultant, as applicable, shall use such assumptions (which shall be set forth in such certificate or certificates) as such believes to be reasonable, taking into account: (i) historical Maintenance and Operation Costs of the Sewer System, (ii) Maintenance and Operation Costs of the Sewer System associated with the additions or improvements to or extensions of the Sewer System to be financed with the proceeds of such additional Parity Obligations and any other new additions or improvements to or extensions of the Sewer System during such five year period and (iii) such other factors, including inflation and changing operations or policies of the City, as the City or the City's Consultant, as applicable, believes to be appropriate.

The certificate or certificates described above in subsection (c)(2) shall not be required if the Parity Obligations being issued are for the purpose of (i) issuing the Parity Obligations initially issued under this Agreement or (ii) refunding (x) then Outstanding Parity Obligations, if at the time of the issuance of such refunding Parity Obligations a certificate of an Authorized City Representative shall be delivered showing that Debt Service in each Fiscal Year on all Parity Obligations Outstanding after the issuance of the refunding Parity Obligations will not exceed Debt Service in each corresponding Fiscal Year on all Parity Obligations Outstanding prior to the issuance of such refunding Parity Obligations; or (y) then Outstanding Balloon Indebtedness, Tender Indebtedness or Variable Rate Indebtedness, but only to the extent that the principal amount of such indebtedness has been put, tendered to or otherwise purchased by a standby purchase or other liquidity facility relating to such indebtedness.

(d) Without regard to Section 5.03(c), if (i) no Event of Default has occurred and is continuing hereunder or under any Issuing Instrument and (ii) no Event of Default or Termination Event (as defined in any Qualified Swap Agreement) under any Qualified Swap Agreement has occurred and is continuing, the City may issue or incur Subordinated Obligations, and such Subordinated Obligations may be paid only in accordance with the provisions of the second paragraph of Section 5.02.

## ARTICLE VI

### COVENANTS OF THE CITY

Section 6.01. Compliance with Installment Purchase Agreement and Ancillary Agreements. The City will punctually pay Parity Obligations in strict conformity with the terms hereof and thereof, and will faithfully observe and perform all the agreements, conditions,

covenants and terms contained herein required to be observed and performed by it, and will not terminate the Installment Purchase Agreement for any cause including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, destruction of or damage to the Project, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State of California or any political subdivision of either or any failure of the Authority to observe or perform any agreement, condition, covenant or term contained herein required to be observed and performed by it, whether express or implied, or any duty, liability or obligation arising out of or connected herewith or the insolvency, or deemed insolvency, or bankruptcy or liquidation of the Authority or any force majeure, including acts of God, tempest, storm, earthquake, war, rebellion, riot, civil disorder, acts of public enemies, blockade or embargo, strikes, industrial disputes, lock outs, lack of transportation facilities, fire, explosion, or acts or regulations of governmental authorities.

The City will faithfully observe and perform all the agreements, conditions, covenants and terms contained in the Installment Purchase Agreement, including Supplements, and any Issuing Instrument or Qualified Swap Agreement relating to Parity Obligations required to be observed and performed by it, and it is expressly understood and agreed by and between the parties to the Installment Purchase Agreement that, subject to Section 10.07, each of the agreements, conditions, covenants and terms contained herein and therein is an essential and material term of the purchase of and payment for each Component by the City.

The City shall be unconditionally and irrevocably obligated, as long as any Obligations remain Outstanding, to take all lawful action necessary or required to continue to entitle the City to collect and deposit such System Revenues in the Sewer Fund for use as provided in this Installment Purchase Agreement.

Section 6.02. Against Encumbrances. The City will not make any pledge of or place any lien on the Net System Revenues except as otherwise provided or permitted herein; provided, that nothing contained herein shall limit the ability of the City to issue or incur Obligations, including Subordinated Obligations, that are secured by a pledge, lien or other encumbrance on Net System Revenues so long as that pledge, lien or encumbrance is subordinate to the pledge, lien and encumbrance on Net System Revenues that secures Parity Obligations.

Section 6.03. Debt Service Reserve Fund. The City will maintain or cause to be maintained each Reserve Fund and Reserve Account at the applicable Reserve Requirement. In the event the amount in any such fund or account falls below the applicable Reserve Requirement, the City will replenish such fund or account up to the applicable Reserve Requirement pursuant to Section 5.02.

Section 6.04. Against Sale or Other Disposition of Property. Except as otherwise provided in Section 6.19, the City will not sell, lease or otherwise dispose of the Sewer System or any part thereof essential to the proper operation of the Sewer System or to the maintenance of the System Revenues, except as provided herein. Further, the City will not, except as otherwise provided herein, enter into any agreement or lease which impairs the operation of the Sewer System or any part thereof necessary to secure adequate Net System Revenues for the payment of the Parity Obligations or which would otherwise impair the rights

of the Authority with respect to the System Revenues or the operation of the Sewer System. Any real or personal property which has become nonoperative or which is not needed for the efficient and proper operation of the Sewer System, or any material or equipment which has become worn out, may be sold if such sale will not materially reduce the Net System Revenues and if the proceeds of such sale are deposited in the Sewer Fund.

Section 6.05. Against Competitive Facilities. The City will not, to the extent permitted by existing law, construct, acquire, maintain or operate and will not, to the extent permitted by existing law and within the scope of its powers, permit any other public or private agency, authority, district or political subdivision or any person whomsoever to acquire, construct, maintain or operate within the City any Sewer System competitive with the Sewer System.

Section 6.06. Prompt Acquisition and Construction. The City will take all necessary and appropriate steps to construct, acquire and install the Components, as agent of the Authority, with all practicable dispatch and in an expeditious manner and in conformity with law so as to complete the same as soon as possible.

Section 6.07. Maintenance and Operation of the Sewer System. The City will maintain and preserve the Sewer System in good repair and working order at all times and will operate the Sewer System in an efficient and economical manner and will pay all Maintenance and Operation Costs of the Sewer System as they become due and payable.

Section 6.08. Amount of Rates and Charges; Rate Stabilization Fund.

(a) The City will fix, prescribe and collect rates and charges for the Sewer Service which will be at least sufficient (i) to pay all Obligations (other than Parity Obligations), and (ii) to yield during each Fiscal Year Net System Revenues equal to one hundred twenty percent (120%) of the Debt Service for such Fiscal Year. The City may make adjustments from time to time in such rates and charges and may make such classification thereof as it deems necessary, but shall not reduce the rates and charges then in effect unless the Net System Revenues from such reduced rates and charges will at all times be sufficient to meet the requirements of this section.

(b) The City may establish, as a fund within the Sewer Fund, a fund denominated the Rate Stabilization Fund. From time to time the City may deposit into the Rate Stabilization Fund, from current System Revenues, such amounts as the City shall determine and the amount of available current System Revenues shall be reduced by the amount so transferred. Amounts may be transferred from the Rate Stabilization Fund solely and exclusively to pay Maintenance and Operation Costs of the Sewer System, and any amounts so transferred shall be deemed System Revenues when so transferred. Deposits to and transfers from the Rate Stabilization Fund for each Fiscal Year shall be made within one year after the end of such Fiscal Year. All interest or other earnings upon amounts in the Rate Stabilization Fund may be withdrawn therefrom and accounted for as System Revenues. The City may not deposit System Revenues in the Rate Stabilization Fund to the extent that such System Revenues were used in calculating, and were necessary to satisfy, the debt service coverage tests in Section 6.08(a), or Section 5.03(c).

Section 6.09. Payment of Claims. The City will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien on the Net System Revenues or any part thereof or on any funds in the hands of the City or the Trustee might impair the security of the Installment Payments, but the City shall not be required to pay such claims if the validity thereof shall be contested in good faith.

Section 6.10. Compliance with Contracts. The City will comply with, keep, observe and perform all agreements, conditions, covenants and terms, express or implied, required to be performed by it contained in all contracts for the use of the Sewer System and all other contracts affecting or involving the Sewer System to the extent that the City is a party thereto.

Section 6.11. Insurance. (a) The City will procure and maintain or cause to be procured and maintained insurance on the Sewer System with responsible insurers, or provide self insurance reserves, in such amounts and against such risks (including accident to or destruction of the Sewer System) as are usually covered in connection with Sewer Systems similar to the Sewer System. In the event of any damage to or destruction of the Sewer System caused by the perils covered by such insurance or self insurance, the Net Proceeds thereof shall be applied to the reconstruction, repair or replacement of the damaged or destroyed portion of the Sewer System. The City shall begin such reconstruction, repair or replacement promptly after such damage or destruction shall occur, and shall continue and properly complete such reconstruction, repair or replacement as expeditiously as possible, and shall pay out of such Net Proceeds all costs and expenses in connection with such reconstruction, repair or replacement so that the same shall be completed and the Sewer System shall be free and clear of all claims and liens unless the City determines that such property or facility is not necessary to the efficient or proper operation of the Sewer System and therefore determines not to reconstruct, repair or replace such project or facility. If such Net Proceeds exceed the costs of such reconstruction, repair or replacement, then the excess Net Proceeds shall be deposited in the Sewer Fund and be available for other proper uses of funds deposited in the Sewer Fund.

(b) The City will procure and maintain such other insurance which it shall deem advisable or necessary to protect its interests and the interests of the Authority, which insurance shall afford protection in such amounts and against such risks as are usually covered in connection with wastewater systems similar to the Sewer System; provided that any such insurance may be maintained under a self-insurance program so long as such self-insurance is maintained in the amounts and manner usually maintained in connection with wastewater systems similar to the Sewer System and is, in the opinion of an accredited actuary, actuarially sound.

All policies of insurance required to be maintained herein shall, to extent reasonably obtainable, provide that the Authority and the Trustee shall be given thirty (30) days' written notice of any intended cancellation thereof or reduction of coverage provided thereby. The City shall certify to the Authority and Trustee annually on or before September 14 that it is in compliance with the insurance requirements hereunder.

Section 6.12. Accounting Records and Financial Statements. (a) The City will keep appropriate accounting records in which complete and correct entries shall be made of all transactions relating to the Sewer System, which records shall be available for inspection by the Authority and the Trustee at reasonable hours and under reasonable conditions.

(b) The City will prepare (commencing with the Fiscal Year ending June 30, 2012), within two hundred and seventy (270) days after the end of each Fiscal Year, financial statements of the Sewer Fund for the preceding Fiscal Year prepared in accordance with generally accepted accounting principles, together with an Accountant's Report thereon.

(c) The City will furnish a copy of the financial statements referred to in (b)(1) above to any Owner of Obligations requesting a copy thereof.

Section 6.13. Protection of Security and Rights of the Authority. The City will preserve and protect the security hereof and the rights of the Authority to the Installment Payments hereunder and will warrant and defend such rights against all claims and demands of all persons.

Section 6.14. Payment of Taxes and Compliance with Governmental Regulations. The City will pay and discharge all taxes, assessments and other governmental charges which may hereafter be lawfully imposed upon the Sewer System or any part thereof or upon the System Revenues when the same shall become due. The City will duly observe and conform with all valid regulations and requirements of any governmental authority relative to the operation of the Sewer System or any part thereof, but the City shall not be required to comply with any regulations or requirements so long as the validity or application thereof shall be contested in good faith.

Section 6.15. Collection of Rates and Charges; No Free Service. The City will have in effect at all times rules and regulations for the payment of bills for Sewer Service. Such regulations may provide that where the City furnishes water to the property receiving Sewer Service, the Sewer Service charges shall be collected together with the water rates upon the same bill providing for a due date and a delinquency date for each bill. In each case where such bill remains unpaid in whole or in part after it becomes delinquent, the City may disconnect such premises from the water service, and such premises shall not thereafter be reconnected to the water service except in accordance with City operating rules and regulations governing such situations of delinquency. The City will not permit any part of the Sewer System or any facility thereof to be used or taken advantage of free of charge by any authority, firm or person, or by any public agency (including the United States of America, the State of California and any city, county, district, political subdivision, public authority or agency thereof).

Section 6.16. Eminent Domain Proceeds. If all or any part of the Sewer System shall be taken by eminent domain proceedings, then subject to the provisions of any Issuing Instrument, the Net Proceeds thereof shall be applied to the replacement of the property or facilities so taken, unless the City determines that such property or facility is not necessary to the efficient or proper operation of the Sewer System and therefore determines not to replace such property or facilities. Any Net Proceeds of such award not applied to replacement or remaining

after such work has been completed shall be deposited in the Sewer Fund and be available for other proper uses of funds deposited in the Sewer Fund.

Section 6.17. Tax Covenants. There shall be included in each Supplement relating to Tax-Exempt Installment Payment Obligations such covenants as are deemed necessary or appropriate by Bond Counsel for the purpose of assuring that interest on such Installment Payment Obligations shall be excluded from gross income under Section 103 of the Code.

Section 6.18. Further Assurances. The City will adopt, deliver, execute and make any and all further assurances, instruments and resolutions as may be reasonably necessary or proper to carry out the intention or to facilitate the performance hereof and for the better assuring and confirming unto the Authority of the rights and benefits provided to it herein.

Section 6.19. Operate Sewer System. The City will operate the Sewer System in an efficient and economical manner, provided that the City may remove from service on a temporary or permanent basis such part or parts of the Sewer System so long as (a) Net System Revenues are equal to one hundred twenty percent (120%) of the Debt Service for the then current Fiscal Year and for each Fiscal Year thereafter to and including the Fiscal Year during which the last Installment Payment is due as evidenced by a certificate or certificates, prepared by the City or at the City's option by a Consultant and (b) the City shall have filed with the Trustee an opinion of nationally recognized Bond Counsel to the effect that the removal of such part or parts of the Sewer System will not, in and of itself, result in the inclusion of the interest on Tax-Exempt Installment Payment Obligations in gross income for federal tax purposes.

Section 6.20. Additional Covenants. The City may provide additional covenants pursuant to any Supplement or other Issuing Instrument, including covenants relating to any Credit Support obtained for Installment Payment Obligations; provided, however, that such additional covenants do not materially and adversely affect the right of Owners of Outstanding Obligations issued prior to any such Supplement or other Issuing Instrument.

## ARTICLE VII

### PREPAYMENT OF INSTALLMENT PAYMENTS

Section 7.01. Prepayment of Installment Payments. Provisions may be made in any Supplement for the prepayment of Installment Payments, in whole or in part, in such multiples and in such order of maturity and from funds of any source, and with such prepayment premiums and other terms as are specified in the Supplement. Said Supplement shall also provide for any notices to be given relating to such prepayment.

## ARTICLE VIII

### EVENTS OF DEFAULT AND REMEDIES OF THE AUTHORITY

Section 8.01. Events of Default and Acceleration of Maturities. If one or more of the following Events of Default shall happen, that is to say:

(1) if default shall be made in the due and punctual payment of or on account of any Parity Obligation as the same shall become due and payable;

(2) if default shall be made by the City in the performance of any of the agreements or covenants required herein to be performed by it pursuant to this Installment Purchase Agreement (other than as specified in (1) above), and such default shall have continued for a period of sixty (60) days after the City shall have been given notice in writing of such default by the Authority;

(3) if any Event of Default specified in any Supplement or Issuing Instrument shall have occurred and be continuing; or

(4) if the City shall file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction shall approve a petition filed with or without the consent of the City seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the City or of the whole or any substantial part of its property;

then and in each and every such case during the continuance of such Event of Default the Authority shall upon the written request of the Owners of twenty-five percent (25%) or more of the aggregate principal amount of all Parity Obligations Outstanding, voting collectively as a single class, by notice in writing to the City, declare the entire unpaid principal amount thereof and the accrued interest thereon to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable, anything contained herein to the contrary notwithstanding; provided, that with respect to a Series of Parity Installment Obligations which is credit enhanced by Credit Support, acceleration shall not be effective unless the declaration is consented to by the related Credit Provider and, provided further, that nothing herein shall affect the rights of the parties to a Qualified Swap Agreement to terminate such Qualified Swap Agreement. This section however, is subject to the condition that if at any time after the entire principal amount of all Parity Obligations and the accrued interest thereon shall have been so declared due and payable and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the City shall deposit with the Authority a sum sufficient to pay the unpaid principal amount of all such Parity Obligations and the unpaid payments of any other Parity Obligations referred to in clause (1) above due prior to such declaration and the accrued interest thereon, with interest on such overdue installments at the rate or rates applicable thereto in accordance with their terms, and the reasonable expenses of the Authority, and any and all other defaults known to the Authority (other than in the payment of the entire principal amount of the unpaid Parity Obligations and the accrued interest thereon due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Authority or provision deemed by the Authority to be adequate shall have been made therefor, then and in every such case the Authority, by written notice to the City, may rescind and annul such declaration and its consequences; but no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair or exhaust any right or power consequent thereon.

Section 8.02. Application of Net System Revenues Upon Acceleration. Subject to the provisions of any Issuing Instrument, all Net System Revenues received after the date of the declaration of acceleration by the Authority as provided in Section 8.01 shall be applied in the following order:

First, to the payment of the costs and expenses of the Authority if any, in carrying out the provisions of this article, including reasonable compensation to its accountants and counsel; and

Second, to the payment of the entire principal amount of the unpaid Parity Installment Obligations and the unpaid principal amount of all other Parity Obligations and the accrued interest thereon (and payments due to the counterparty to a Qualified Swap Agreement that constitute Parity Obligations), with interest on the overdue installments at the rate or rates of interest applicable thereto in accordance with their respective terms. In the event there are insufficient Net System Revenues to pay the entire principal amount and accrued interest on all Parity Obligations (and payments due to the counterparty to a Qualified Swap Agreement that constitute Parity Obligations), then accrued interest (and payments due to the counterparty to a Qualified Swap Agreement that constitute Parity Obligations) shall first be paid and any remaining amount shall be paid on account of principal, and in the event there are insufficient Net System Revenues to fully pay either interest (and payments due to the counterparty to a Qualified Swap Agreement that constitute Parity Obligations) or principal in accordance with the foregoing, then payment shall be prorated within a priority based upon the total amounts due in the priority.

Section 8.03. Other Remedies of the Authority. The Authority shall have the right, subject to receipt of consent from any Credit Provider with respect to a particular Series of Parity Installment Obligations:

(a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the City or any councilmember, officer or employee thereof, and to compel the City or any such councilmember, officer or employee to perform and carry out its or his duties under the Law and the agreements and covenants required to be performed by it or him contained herein;

(b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Authority;

(c) by suit in equity upon the happening of an Event of Default to require the City and its councilmembers, officers and employees to account as the trustee of an express trust;  
or

(d) by suit in equity to cause the appointment of a receiver.

Section 8.04. Non-Waiver. Nothing in this article or in any other provision hereof shall affect or impair the obligation of the City, which is absolute and unconditional, to pay the Installment Payments to the Authority at the respective due dates or upon prepayment from the Net System Revenues and the other funds herein committed for such payment, or shall

affect or impair the right of the Authority, which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied herein.

A waiver of any default or breach of duty or contract by the Authority shall not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by the Authority to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair any such right or remedy or shall be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Authority by this article may be enforced and exercised from time to time and as often as shall be deemed expedient by the Authority.

If any action, proceeding or suit to enforce any right or exercise any remedy is abandoned or determined adversely to the Authority, the City and the Authority shall be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

Section 8.05. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Authority or a counterparty to a Qualified Swap Agreement is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing in law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by law.

## ARTICLE IX

### DISCHARGE OF OBLIGATIONS

Section 9.01. Discharge of Obligations. If the City shall pay or cause to be paid or there shall otherwise be paid to the Owners all Outstanding Installment Payment Obligations of a Series the interest thereon and the principal thereof and the redemption premiums, if any, thereon or if all such Outstanding Obligations shall be deemed to have been paid at the times and in the manner stipulated in the applicable Issuing Instrument, then all agreements, covenants and other obligations of the City hereunder shall thereupon cease, terminate and become void and be discharged and satisfied (but only as to such Series).

## ARTICLE X

### MISCELLANEOUS

Section 10.01. Liability of City Limited to Net System Revenues. Notwithstanding anything contained herein, the City shall not be required to advance any moneys derived from any source of income other than the Net System Revenues and the other funds provided herein for the payment of the Installment Payments or for the performance of any other agreements or covenants required to be performed by it contained herein. The City may, however, but in no event shall be obligated to, advance moneys for any such purpose so long as

such moneys are derived from a source legally available for such purpose and may be legally used by the City for such purpose.

The obligation of the City to make the Installment Payments is a special obligation of the City payable solely from such Net System Revenues and other funds provided for herein, and does not constitute a debt of the City or of the State of California or of any political subdivision thereof within the meaning of any constitutional or statutory debt limitation or restriction.

Section 10.02. Benefits of Installment Purchase Agreement Limited to Parties. Nothing contained herein, expressed or implied, is intended to give to any person other than the City, the Authority or the assigns of the Authority and any Credit Provider any right, remedy or claim under or pursuant hereto, and any agreement or covenant required herein to be performed by or on behalf of the City or the Authority shall be for the sole and exclusive benefit of the other party. Each party hereto agrees for the benefit of any counterparty to a Qualified Swap Agreement that covenants contained herein that are expressly applicable to such a counterparty, are also intended to benefit such counterparty and each such counterparty shall be deemed to be a third party beneficiary with respect thereto, entitled to enforce directly and in its own name any rights or claims it may have against such party and otherwise protect its rights hereunder.

Section 10.03. Amendments. This Agreement may be amended with respect to a Series of Installment Payment Obligations in writing as may be mutually agreed by the City and the Authority, with the written consent of the Owners of a majority in aggregate principal amount of such Installment Payment Obligations then Outstanding, provided that no such amendment shall (a) extend the payment date of any Installment Payment, or reduce the amount of any Installment Payment without the prior written consent of the Owner of each Obligation so affected, or (b) reduce the percentage of Installment Payment Obligations the consent of the Owners of which is required for the execution of any amendment of this Installment Purchase Agreement.

This Agreement and the rights and obligations of the City and the Authority hereunder may also be amended or supplemented at any time by an amendment hereof or supplement hereto which shall become binding upon execution by the City and the Authority, without the written consents of any Owner of Installment Obligations, but only to the extent permitted by law and only upon receipt of an opinion of nationally recognized Bond Counsel selected by the City and approved by the Authority to the effect that such amendment or supplement is permitted by the provisions of this Agreement and does not, in and of itself, result in the inclusion of the interest portion of the Installment Payments received by the Owners in gross income for federal income tax purposes, and only for any one or more of the following purposes:

- (1) to add to the covenants and agreements of the Authority or the City contained in this Agreement other covenants and agreements thereafter to be observed or to surrender any right or power herein reserved to or conferred upon the Authority or the City, and which shall not adversely affect the interests of the Owners of the Installment Payment Obligations;

(2) to cure, correct or supplement any ambiguous or defective provision contained in this Agreement or in regard to questions arising under this Agreement, as the Authority or the City may deem necessary or desirable and which shall not adversely affect the interests of the Owners of the Installment Payment Obligations; and

(3) to make such other amendments or modifications which shall not materially adversely affect the interests of the Owners of the Installment Payment Obligations.

Notwithstanding anything herein to the contrary, the written consent of any Credit Provider or counterparty to a Qualified Swap Agreement shall not be required for the execution of a Supplement in connection with the issuance of Parity Obligations or Subordinated Obligations in accordance with the terms hereof.

Section 10.04. Successor Is Deemed Included in all References to Predecessor. Except as otherwise provided herein, whenever either the City or the Authority is named or referred to herein, such reference shall be deemed to include the successor to the powers, duties and functions that are presently vested in the City or the Authority, and all agreements and covenants required hereby to be performed by or on behalf of the City or the Authority shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

Section 10.05. Waiver of Personal Liability. No official, officer or employee of the City shall be individually or personally liable for the payment of the Installment Payments, but nothing contained herein shall relieve any official, officer or employee of the City from the performance of any official duty provided by any applicable provisions of law or hereby.

Section 10.06. Article and Section Headings, Gender and References. The headings or titles of the several articles and sections hereof and the table of contents appended hereto shall be solely for convenience of reference and shall not affect the meaning, construction or effect hereof, and words of any gender shall be deemed and construed to include all genders. All references herein to "Articles," "Sections" and other subdivisions or clauses are to the corresponding articles, sections, subdivisions or clauses hereof; and the words "hereby," "herein," "hereof," "hereto," "herewith" and other words of similar import refer to the Installment Purchase Agreement as a whole and not to any particular article, section, subdivision or clause hereof.

Section 10.07. Partial Invalidity. If any one or more of the agreements or covenants or portions thereof required hereby to be performed by or on the part of the City or the Authority shall be contrary to law, then such agreement or agreements, such covenant or covenants or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements and covenants or portions thereof and shall in no way affect the validity hereof.

Section 10.08. Assignment. The Installment Purchase Agreement and any rights hereunder may be assigned by the Authority, as a whole or in part, without the necessity of obtaining the prior consent of the City. The assignment of the Installment Purchase Agreement

or rights hereunder or under a Supplement to a Trustee is solely in its capacity as Trustee and the duties, powers and liabilities of the Trustee in acting hereunder shall be subject to the provisions of the Issuing Instrument.

Section 10.09. Net Contract. The Installment Purchase Agreement shall be deemed and construed to be a net contract, and the City shall pay absolutely net during the term hereof the Installment Payments and all other payments required hereunder, free of any deductions and without abatement, diminution or setoff whatsoever.

Section 10.10. California Law. The Installment Purchase Agreement shall be construed and governed in accordance with the laws of the State of California.

Section 10.11. Notices. All written notices to be given hereunder shall be given by first class mail, postage prepaid, courier or hand delivery to the party entitled thereto at its address set forth below, or at such other address as such party may provide to the other party in writing from time to time, namely:

If to the City:                   City of Turlock  
  Administrative Services  
  156 South Broadway, Suite 230  
  Turlock, CA 95380-5435  
  Attn: City Manager

If to the Authority:           Turlock Public Financing Authority  
  156 South Broadway, Suite 230  
  Turlock, CA 95380-5435  
  Attn: Executive Director

Section 10.12. Effective Date. The Installment Purchase Agreement shall become effective as to Installment Payments provided for in a Supplement upon the execution and delivery of such Supplement or as otherwise specified therein, and shall terminate as to such Supplement when the Installment Payments contemplated by such Supplement shall have been fully paid or prepaid (or provision for the payment thereof shall have been made as provided herein) and any related Qualified Swap Agreement or Credit Support arrangement is no longer in effect and all payments due under such Qualified Swap Agreement or Credit Support arrangement have been paid or duly provided for.

Section 10.13. Execution in Counterparts. The Installment Purchase Agreement and each Supplement may be executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Installment Purchase Agreement by their officers thereunto duly authorized as of the day and year first written above.

CITY OF TURLOCK

By \_\_\_\_\_  
City Manager

TURLOCK PUBLIC FINANCING AUTHORITY

By \_\_\_\_\_  
Executive Director

# TABLE OF CONTENTS

Page

## ARTICLE I DEFINITIONS

Section 1.01.	Definitions.....	1
---------------	------------------	---

## ARTICLE II REPRESENTATIONS AND WARRANTIES

Section 2.01.	Representations by the City .....	16
Section 2.02.	Representations and Warranties by the Authority .....	16

## ARTICLE III ACQUISITION AND CONSTRUCTION OF COMPONENTS OF THE PROJECT

Section 3.01.	Acquisition and Construction of the Components .....	17
Section 3.02.	Changes to the Components.....	17

## ARTICLE IV INSTALLMENT PAYMENTS

Section 4.01.	Purchase Price.....	18
Section 4.02.	Installment Payments; Reserve Fund Deposits.....	18

## ARTICLE V SYSTEM REVENUES

Section 5.01.	Commitment of the Net System Revenues .....	19
Section 5.02.	Allocation of System Revenues .....	19
Section 5.03.	Additional Obligations.....	20

## ARTICLE VI COVENANTS OF THE CITY

Section 6.01.	Compliance with Installment Purchase Agreement and Ancillary Agreements .....	22
Section 6.02.	Against Encumbrances.....	23
Section 6.03.	Debt Service Reserve Fund.....	23
Section 6.04.	Against Sale or Other Disposition of Property .....	23
Section 6.05.	Against Competitive Facilities.....	24
Section 6.06.	Prompt Acquisition and Construction.....	24
Section 6.07.	Maintenance and Operation of the Sewer System .....	24
Section 6.08.	Amount of Rates and Charges; Rate Stabilization Fund .....	24
Section 6.09.	Payment of Claims.....	25
Section 6.10.	Compliance with Contracts.....	25
Section 6.11.	Insurance .....	25
Section 6.12.	Accounting Records and Financial Statements.....	26
Section 6.13.	Protection of Security and Rights of the Authority .....	26
Section 6.14.	Payment of Taxes and Compliance with Governmental Regulations .....	26
Section 6.15.	Collection of Rates and Charges; No Free Service.....	26

## TABLE OF CONTENTS

(continued)

	<b>Page</b>
Section 6.16.	Eminent Domain Proceeds..... 26
Section 6.17.	Tax Covenants ..... 27
Section 6.18.	Further Assurances..... 27
Section 6.19.	Operate Sewer System ..... 27
Section 6.20.	Additional Covenants..... 27
<b>ARTICLE VII</b>	
<b>PREPAYMENT OF INSTALLMENT PAYMENTS</b>	
Section 7.01.	Prepayment of Installment Payments..... 27
<b>ARTICLE VIII</b>	
<b>EVENTS OF DEFAULT AND REMEDIES OF THE AUTHORITY</b>	
Section 8.01.	Events of Default and Acceleration of Maturities ..... 27
Section 8.02.	Application of Net System Revenues Upon Acceleration..... 29
Section 8.03.	Other Remedies of the Authority..... 29
Section 8.04.	Non-Waiver..... 29
Section 8.05.	Remedies Not Exclusive ..... 30
<b>ARTICLE IX</b>	
<b>DISCHARGE OF OBLIGATIONS</b>	
Section 9.01.	Discharge of Obligations ..... 30
<b>ARTICLE X</b>	
<b>MISCELLANEOUS</b>	
Section 10.01.	Liability of City Limited to Net System Revenues..... 30
Section 10.02.	Benefits of Installment Purchase Agreement Limited to Parties..... 31
Section 10.03.	Amendments ..... 31
Section 10.04.	Successor Is Deemed Included in all References to Predecessor ..... 32
Section 10.05.	Waiver of Personal Liability ..... 32
Section 10.06.	Article and Section Headings, Gender and References ..... 32
Section 10.07.	Partial Invalidity..... 32
Section 10.08.	Assignment ..... 32
Section 10.09.	Net Contract..... 33
Section 10.10.	California Law ..... 33
Section 10.11.	Notices ..... 33
Section 10.12.	Effective Date ..... 33
Section 10.13.	Execution in Counterparts..... 33

2012 SUPPLEMENT TO MASTER INSTALLMENT PURCHASE AGREEMENT

between the

CITY OF TURLOCK

and the

TURLOCK PUBLIC FINANCING AUTHORITY

Dated as of September 1, 2012

Relating to

[\$[PRINCIPAL AMOUNT]]  
Turlock Public Financing Authority  
Sewer Revenue Bonds, Series 2012

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**TABLE OF CONTENTS**

**Page**

ARTICLE I  
DEFINITIONS

Section 1.01. Definitions..... 1

ARTICLE II  
REPRESENTATIONS AND WARRANTIES

Section 2.01. City Representations ..... 2  
Section 2.02. Authority Representations and Warranties ..... 3

ARTICLE III  
2012 INSTALLMENT PAYMENTS

Section 3.01. 2012 Installment Payments ..... 4  
Section 3.02. Parity Installment Obligations ..... 4

ARTICLE IV  
PREPAYMENT

Section 4.01. Prepayment of 2012 Installment Payments..... 4

ARTICLE V  
ADDITIONAL COVENANTS

Section 5.01. Additional Covenant Relating to Tax Exemption..... 5  
Section 5.02. Continuing Disclosure ..... 5

ARTICLE VI  
MISCELLANEOUS

Section 6.01. 2012 Supplement to Installment Purchase Agreement ..... 6

2012 SUPPLEMENT TO MASTER INSTALLMENT PURCHASE AGREEMENT

This 2012 SUPPLEMENT TO MASTER INSTALLMENT PURCHASE AGREEMENT, dated as of September 1, 2012, by and between the CITY OF TURLOCK, a municipal corporation duly organized and existing under and by virtue of the laws of the State of California (the "City"), and the TURLOCK PUBLIC FINANCING AUTHORITY, a joint exercise of powers entity duly organized and existing under and by virtue of the laws of the State of California (the "Authority");

WITNESSETH:

WHEREAS, the City and the Authority have entered into a Master Installment Purchase Agreement, dated as of September 1, 2012 (the "Agreement") pursuant to which the Authority has agreed to sell Components of the Project (as defined in the Agreement) to the City and the City has agreed from time to time to purchase such Components as are specified in Supplements thereto; and

WHEREAS, with respect to Components of the Project identified in any Supplement the City will agree to purchase the same and pay in Installment Payments for such Components pursuant to such Supplement; and

WHEREAS, Installment Payments specified in such Supplement will then serve as the security for Obligations the proceeds of which will be used to finance or refinance such Components of the Project; and

WHEREAS, the City and the Authority now wish to specify the Components of the Project which are to be refinanced by execution and delivery of this 2012 Supplement;

NOW THEREFORE, the parties hereto have agreed as follows:

ARTICLE I

DEFINITIONS

SECTION 1.01. Definitions. All of the definitions contained in the Agreement and the Indenture shall apply to this 2012 Supplement except as otherwise expressly provided. In addition, the following terms are defined herein.

"2012 Bonds" means the Turlock Public Financing Authority Sewer Revenue Bonds, Series 2012.

"2012 Components" means the Components of the Project originally financed and/or refinanced by the Prior Bonds, the purchase price for which the City will be making 2012 Installment Payments as hereinafter specified.

"2012 Installment Payments" means the Installment Payments specified in Section 3.01 hereof which together represent full and complete payment of the Purchase Price of the 2012 Components.

“2012 Supplement” means this 2012 Supplement to Master Installment Purchase Agreement, dated as of September 1, 2012, by and between the City and the Authority, supplementing the Agreement.

“Continuing Disclosure Agreement” means that certain Continuing Disclosure Agreement between the City and the Dissemination Agent dated September \_\_, 2012, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

“Dissemination Agent” means U.S. Bank National Association and its successors under the Continuing Disclosure Agreement.

“Indenture” means the Indenture, dated as of September 1, 2012 between the Authority and U.S. Bank National Association, as trustee.

“Interest Portion” means the portion of any 2012 Installment Payment specified in Section 3.01 hereof representing interest.

“Participating Underwriter” shall have the meaning set forth in the Continuing Disclosure Agreement.

“Principal Portion” means the portion of any 2012 Installment Payment specified in Section 3.01 hereof representing principal.

## ARTICLE II

### REPRESENTATIONS AND WARRANTIES

SECTION 2.01. City Representations. The City hereby makes the following representations:

(a) The City is a municipal corporation organized and existing under and by virtue of the laws of the State of California.

(b) The City has full legal right, power and authority to enter into this 2012 Supplement and carry out its obligations hereunder and to carry out and consummate all transactions contemplated by this 2012 Supplement.

(c) By proper action, the City has duly authorized the execution, delivery and due performance of this 2012 Supplement.

(d) The execution and delivery of this 2012 Supplement and the consummation of the transactions herein contemplated will not violate any provision of law, any order of any court or other agency of government, or any indenture, material agreement or other instrument to which the City is now a party or by which it or any of its properties or assets is bound, or be in conflict with, result in a breach of or constitute a default (with due notice or the passage of time or both) under any such indenture, agreement or other instrument, or result in the creation or imposition

of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the properties or assets of the City.

(e) The City has determined that it is necessary and proper for City uses and purposes that the City refinance the 2012 Components by acquiring the 2012 Components in the manner provided for in this 2012 Supplement, in order to provide essential services and facilities to the persons residing in the City.

SECTION 2.02. Authority Representations and Warranties. The Authority hereby makes the following representations and warranties:

(a) The Authority is a joint exercise of powers entity duly organized and existing under and by virtue of the laws of the State of California.

(b) The Authority has full legal right, power and authority to enter into this 2012 Supplement and to carry out and consummate all transactions contemplated by this 2012 Supplement.

(c) By proper action, the Authority has duly authorized the execution, delivery and due performance of this 2012 Supplement.

(d) The execution and delivery of this 2012 Supplement and the consummation of the transactions herein contemplated will not violate any provision of law, any order of any court or other agency of government, or any indenture, material agreement or other instrument to which the Authority is now a party or by which it or any of its properties or assets is bound, or be in conflict with, result in a breach of or constitute a default (with due notice or the passage of time or both) under any such indenture, agreement or other instrument, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the properties or assets of the Authority.

(e) The Interest Portion of the 2012 Installment Payments will not be includable in the gross income of the owners of 2012 Bonds for federal income tax purposes.



## ARTICLE V

### ADDITIONAL COVENANTS

In addition to the covenants specified in the Agreement, the following additional covenants are added with respect to the 2012 Bonds:

#### SECTION 5.01. Additional Covenant Relating to Tax Exemption.

(a) The City will not directly or indirectly use or permit the use of any proceeds of the 2012 Bonds or any other funds of the City or of the Project or take or omit to take any action that would cause the 2012 Bonds to be “private activity bonds” within the meaning of Section 141 of the Code, or obligations which are “federally guaranteed” within the meaning of Section 149(b) of the Code.

(b) The City covenants that it will not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of the interest represented by the 2012 Bonds under Section 103 of the Code. The City will not directly or indirectly use or permit the use of any proceeds of the 2012 Bonds or any other funds of the City, or take or omit to take any action, that would cause the 2012 Bonds to be “arbitrage bonds” within the meaning of Section 148(a) of the Code. To that end, the City will comply with all requirements of Section 148 of the Code to the extent applicable to the 2012 Bonds. In the event that at any time the City is of the opinion that for purposes of this Section it is necessary to restrict or limit the yield on the investment of any moneys held by the Trustee under the Indenture or otherwise, the City shall so instruct the Trustee in writing, and shall cause the Trustee to take such action as may be necessary in accordance with such instructions.

(c) Without limiting the generality of the foregoing, the City agrees that there shall be paid from time to time all amounts required to be rebated to the United States of America pursuant to Section 148(f) of the Code and any temporary, proposed or final Treasury Regulations as may be applicable to the 2012 Bonds from time to time. This covenant shall survive payment in full or defeasance of the 2012 Bonds. The City specifically covenants to pay or cause to be paid to the United States of America at the times and in the amounts determined under this Section the Rebate Requirement, as described in the Tax Certificate, and to otherwise comply with the provisions of the Tax Certificate executed by the City in connection with the execution and delivery of the 2012 Bonds.

(d) Notwithstanding any provision of this Section 5.01, if the City shall provide to the Trustee an opinion of nationally recognized Bond Counsel to the effect that any action required under this Section is no longer required, or to the effect that some further action is required, to maintain the exclusion from gross income of the interest on the 2012 Bonds pursuant to Section 103 of the Code, the City may rely conclusively on such opinion in complying with the provisions hereof, and the covenants hereunder shall be deemed to be modified to that extent.

SECTION 5.02. Continuing Disclosure. The City hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement. Notwithstanding any other provision of this 2012 Supplement, failure of the City to comply with

the Continuing Disclosure Agreement shall not be considered a default of any kind under this 2012 Supplement or the Agreement; however, the Trustee, at the written request of any Participating Underwriter or the Owners of at least twenty-five percent (25%) in aggregate principal amount of 2012 Bonds, shall, but only to the extent indemnified to its satisfaction from and against any fees, costs and expenses, including those of its attorneys, or any Owner or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the City to comply with its obligations under this Section 5.02. For purposes of this Section, "Beneficial Owner" means any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any 2012 Bonds (including persons holding 2012 Bonds through nominees, depositories or other intermediaries).

## ARTICLE VI

### MISCELLANEOUS

SECTION 6.01. 2012 Supplement to Installment Purchase Agreement. Except as herein otherwise expressly provided, every condition and term contained in the Agreement shall apply hereto with the same force and effect as if the same were herein set forth at length, with such omissions, variations and modifications thereof as may be appropriate to make the same conform hereto.

IN WITNESS WHEREOF, this 2012 Supplement has been executed by the City and the Authority as of the year and date first above written.

CITY OF TURLOCK

By: \_\_\_\_\_  
City Manager

Attest:

By: \_\_\_\_\_  
City Clerk

TURLOCK PUBLIC FINANCING AUTHORITY

By: \_\_\_\_\_  
Executive Director

Attest:

By: \_\_\_\_\_  
Secretary

**TURLOCK PUBLIC FINANCING AUTHORITY  
SEWER REVENUE BONDS, SERIES 2012**

**BOND PURCHASE CONTRACT**

---

August \_\_, 2012

Board of Directors  
Turlock Public Financing Authority  
Turlock, California

City Council  
City of Turlock  
Turlock, California

Ladies and Gentlemen:

The undersigned, E.J. De La Rosa & Co., Inc. (the "Underwriter"), hereby offers to enter into this Bond Purchase Contract (the "Purchase Contract") with you, the Turlock Public Financing Authority (the "Authority"), and you, the City of Turlock (the "City"), which upon the Authority's and the City's acceptance of this offer, will be binding upon the Authority, the City and the Underwriter. This offer is made subject to acceptance by each of you prior to 11:59 P.M., California time, on the date hereof. If this offer is not so accepted, this offer will be subject to withdrawal by the Underwriter upon notice delivered to you at any time prior to acceptance. Upon acceptance, this Purchase Contract shall be in full force and effect in accordance with its terms and shall be binding upon the Authority, the City and the Underwriter. All capitalized terms used herein and not otherwise defined herein shall have the respective meanings ascribed thereto in the Official Statement and the Indenture (as hereinafter defined).

1. Purchase, Sale and Delivery of the Bonds.

(a) Subject to the terms and conditions and in reliance upon the representations, warranties and agreements set forth herein, the Underwriter hereby agrees to purchase and the Authority agrees to sell to the Underwriter all (but not less than all) of the Turlock Public Financing Authority Sewer Revenue Bonds, Series 2012 (the "Bonds") in the aggregate principal amount of \$\_\_\_\_\_.

(b) The Bonds shall be issued pursuant to the Marks Roos Local Bond Pooling Act of 1985, consisting of Article 4, Chapter 5, Division 7, Title 1 of the Government Code of the State of California (commencing with Section 6584 (the "Act")) and an Indenture, dated as of September 1, 2012 (the "Indenture") between the Authority and U.S. Bank National Association, as trustee (the "Trustee"). The Bonds shall be dated the date of the initial issuance thereof. The Bonds shall have the maturities and bear interest at the rates per annum shown on Exhibit A hereto. The Bonds shall be substantially in the form described in, and shall be issued and secured under, the provisions of the Indenture. The Series 2012

Bonds are limited obligations of the Turlock Public Financing Authority (the "Authority") payable solely from Authority Revenues (as defined herein) and amounts on deposit in the funds and accounts established under the Indenture, other than the Rebate Fund. Authority Revenues" include (i) certain Installment Payments (the "2012 Installment Payments") made by the City pursuant to a Master Installment Purchase Agreement, dated as of September 1, 2012 (the "Master Installment Purchase Agreement"), between the Authority and the City, as supplemented by a 2012 Supplement to Master Installment Purchase Agreement, dated as of September 1, 2012 (the "2012 Supplement"), between the Authority and the City (and any other Installment Payments which may be pledged pursuant to the Indenture in connection with Parity Bonds) and (ii) the interest or profits from the investment of money in any fund or account (other than the Rebate Fund) established pursuant to the Indenture. The Master Installment Purchase Agreement, as supplemented by the 2012 Supplement, is referred to herein as the "Installment Purchase Agreement". The 2012 Installment Payments, are payable solely from, and secured by a pledge of, Net System Revenues of the City's Sewer System.

(c) The Bonds are being issued to provide funds to (i) refund all of the Authority's Sewer Revenue Bonds, Series 1999 in the outstanding principal amount of \$16,470,000 and its Sewer Revenue Bonds, Series 2003A in the outstanding principal amount of \$43,355,000 (collectively, the "Refunded Bonds"), and (ii) pay the costs of issuance of the Series 2012 Bonds.

(d) The aggregate purchase price for the Bonds shall be \$\_\_\_\_\_ (consisting of the aggregate principal amount of the Bonds of \$\_\_\_\_\_ plus original issue premium of \$\_\_\_\_\_ less \$\_\_\_\_\_ of Underwriter's discount).

(e) At 8:00 o'clock A.M., California time, on September \_\_, 2012, or at such other time or on such other date as we mutually agree upon (the "Closing Date"), the Authority and the City will, subject to the terms and conditions hereof, cause to be delivered to the Underwriter, at a location or locations to be designated by the Underwriter in New York, New York, the Bonds (delivered through the book entry system of The Depository Trust Company), duly executed, and at the offices of Orrick, Herrington & Sutcliffe LLP, 400 Capitol Mall, Sacramento, California 95814, or at such other place as shall have been mutually agreed upon by the Authority, the City and the Underwriter, the other documents mentioned herein. The Underwriter will accept such delivery and pay the purchase price of the Bonds as set forth in subparagraph (c) above in immediately available funds (such delivery and payment being herein referred to as the "Closing") to the order of the Authority.

(f) The Underwriter agrees to make a bona fide public offering of the Bonds at the initial offering prices set forth in the Official Statement, which prices may be changed from time to time by the Underwriter after such offering.

(g) The City will undertake, pursuant to a Continuing Disclosure Certificate dated as of the Closing Date (the "Continuing Disclosure Certificate"), to provide certain annual financial information and notices of the occurrence of certain events. A description of this undertaking is set forth in the Preliminary Official Statement (as hereinafter defined) and will also be set forth in the final Official Statement (as hereinafter defined).

2. Use and Preparation of Official Statement. The Authority and the City hereby ratify, confirm and approve of the use and distribution by the Underwriter prior to the date hereof of the

Preliminary Official Statement dated August \_\_, 2012 relating to the Bonds (which, together with all appendices thereto, is referred to herein as the "Preliminary Official Statement"). The City has deemed final the Preliminary Official Statement as of its date for purposes of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 ("Rule 15c2-12"), except for information permitted to be omitted therefrom by Rule 15c2-12. The Authority and the City hereby agree to deliver or cause to be delivered to the Underwriter, within seven (7) business days of the date hereof, copies of the final Official Statement, dated the date hereof (including all information previously permitted to have been omitted by Rule 15c2-12 and any amendments or supplements to such Official Statement as have been approved by the Authority, the City and the Underwriter) (the "Official Statement") in sufficient quantity to enable the Underwriter to comply with the rules of the Securities and Exchange Commission and the Municipal Securities Rulemaking Board. The Authority and the City hereby approve of the use and distribution by the Underwriter of the Official Statement in connection with the offer and sale of the Bonds. At the time of or prior to the Closing Date, the Underwriter shall file a copy of the Official Statement with the Municipal Securities Rulemaking Board, and shall advise the Authority and the City of the date and repository of such filing.

3. Representations, Warranties and Agreements of the Authority. The Authority hereby represents, warrants and agrees with the Underwriter as follows:

(a) The Authority is, and will be on the Closing Date, a joint powers authority of the State of California organized and operating pursuant to the laws of the State of California with the full power and authority to issue the Bonds pursuant to the Act, to execute and deliver the Official Statement and to enter into this Purchase Contract, the Indenture and the Installment Purchase Agreement;

(b) By all necessary official action of the Authority prior to or concurrently with the acceptance hereof, the Authority has duly approved, ratified and confirmed the distribution of the Preliminary Official Statement and the execution, delivery and distribution of the Official Statement, and has duly authorized and approved the issuance of the Bonds and the execution and delivery of, and the performance by the Authority of the obligations on its part contained in, the Indenture, the Installment Purchase Agreement and this Purchase Contract, and the consummation by it of all other transactions contemplated by the Official Statement, the Indenture, the Installment Purchase Agreement and this Purchase Contract;

(c) The Authority is not in any material respect in breach of or default under any applicable constitutional provision, law or administrative regulation to which it is subject or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Authority is a party or to which the Authority or any of its property or assets is otherwise subject, and no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute such a default or event of default in any material respect under any such instrument; and the issuance of the Bonds and the execution and delivery of the Indenture, the Installment Purchase Agreement, this Purchase Contract, and the Official Statement, and compliance with the provisions on the Authority's part contained herein and therein, will not in any material respect conflict with or constitute a breach of or default under any law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Authority is a party or is otherwise subject, nor will any such execution, delivery, adoption or compliance result in the creation

or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the properties or assets of the Authority under the terms of any such law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument;

(d) There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body pending or, to the best knowledge of the Authority after reasonable investigation, threatened against the Authority in any material respect affecting the existence of the Authority or the titles of its officers to their respective offices or affecting or seeking to prohibit, restrain or enjoin the issuance, sale or delivery of the Bonds or contesting or affecting, as to the Authority, the validity or enforceability of the Bonds, the Installment Purchase Agreement, the Indenture or this Purchase Contract, or contesting the powers of the Authority or its authority to enter into, adopt or perform its obligations under any of the foregoing, or contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement, or any amendment or supplement thereto, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Indenture, the Installment Purchase Agreement or this Purchase Contract;

(e) All authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matter which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by, the Authority of its obligations in connection with the issuance of the Bonds under the Indenture have been duly obtained, except for such approvals, consents and orders as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Bonds; and all authorizations, approvals, licenses, permits, consents and orders of any governmental authority, board, agency or commission having jurisdiction of the matter which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by, the Authority of its obligations under the Indenture, the Installment Purchase Agreement or this Purchase Contract, have been duly obtained;

(f) The Authority will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request in order (i) to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate and (ii) to determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions, and will use its best efforts to continue such qualification in effect so long as required for distribution of the Bonds; provided, that in no event shall the Authority be required to take any action which would subject it to service of process in any jurisdiction in which it is not now so subject;

(g) To the best of the Authority's knowledge, as of the date hereof, the Preliminary Official Statement as of its date and the Official Statement (excluding therefrom information about DTC and the book-entry only system) did not and do not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(h) As of the date thereof and at all times subsequent thereto to and including the date which is 25 days following the End of the Underwriting Period (as such term is hereinafter defined) for the Bonds, the Official Statement (excluding therefrom information about DTC and the book-entry only system) did not and will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(i) If between the date hereof and the date which is 25 days after the End of the Underwriting Period for the Bonds an event occurs which might or would cause the Official Statement (excluding therefrom information about DTC and the book-entry only system), as then supplemented or amended, to contain an untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the Authority will notify the Underwriter, and, if in the opinion of the Authority, or the Underwriter, such event requires the preparation and publication of a supplement or amendment to the Official Statement, the Authority will forthwith prepare and furnish to the Underwriter (at the expense of the Authority) a reasonable number of copies of an amendment of or supplement to the Official Statement which will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time the Official Statement is delivered to prospective purchasers, not misleading. For the purposes of this subsection, between the date hereof and the date which is 25 days after the End of the Underwriting Period for the Bonds, the Authority will furnish such information with respect to itself as the Underwriter may from time to time reasonably request;

(j) If the Official Statement is amended or supplemented pursuant to paragraph (i) of this section, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such subparagraph) at all times subsequent thereto up to and including the date which is 25 days after the End of the Underwriting Period for the Bonds, the Official Statement (excluding therefrom information about DTC and the book-entry only system) so supplemented or amended will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(k) After the Closing up to and including the date which is 25 days after the End of the Underwriting Period for the Bonds, the Authority will not participate in the issuance of any amendment of or supplement to the Official Statement to which, after being furnished with a copy, the Underwriter shall reasonably object in writing or which shall be disapproved by counsel for the Underwriter;

(l) As used herein and for the purposes of the foregoing, the term "End of the Underwriting Period" for the Bonds shall mean the earlier of (i) the Closing Date (unless the Authority shall have been notified in writing to the contrary by the Underwriter on or prior to the Closing Date), or (ii) the date on which the End of the Underwriting Period for the Bonds has occurred under Rule 15c2 12; provided, that the Authority may treat as the End of the Underwriting Period for the Bonds the date specified as such in a notice from the Underwriter stating the date which is the End of the Underwriting Period;

(m) The Authority will apply, or cause the application of, the proceeds of the Bonds in accordance with the Installment Purchase Agreement and the Indenture; and

(n) Any certificate signed by any authorized official of the Authority, and delivered to the Underwriter in connection with the execution and delivery of the Bonds, shall be deemed a representation and warranty by the Authority to the Underwriter as to the statements made therein.

4. Representations, Warranties and Agreements of the City. The City hereby represents, warrants and agrees with the Underwriter as follows:

(a) The City is, and will be on the Closing Date, a body politic and corporate of the State of California organized and operating pursuant to the laws of the State of California with the full power and authority to execute and deliver the Official Statement and to enter into this Purchase Contract, the Continuing Disclosure Certificate and the Installment Purchase Agreement and to approve the Indenture;

(b) By all necessary official action of the City prior to or concurrently with the acceptance hereof, the City has duly approved, ratified and confirmed the distribution of the Preliminary Official Statement and the execution, delivery and distribution of the Official Statement, and has duly authorized and approved the execution and delivery of, and the performance by the City of the obligations on its part contained in, this Purchase Contract, the Continuing Disclosure Certificate, the Indenture and the Installment Purchase Agreement, and the consummation by it of all other transactions contemplated by the Official Statement, this Purchase Contract, the Continuing Disclosure Certificate, the Indenture and the Installment Purchase Agreement;

(c) The City is not in any material respect in breach of or default under any applicable constitutional provision, law or administrative regulation to which it is subject or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the City is a party or to which the City or any of its property or assets is otherwise subject, and no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute such a default or event of default in any material respect under any such instrument; and the execution and delivery of the Continuing Disclosure Certificate, the Indenture, the Installment Purchase Agreement, this Purchase Contract, and the Official Statement, and compliance with the provisions on the City's part contained herein and therein, will not in any material respect conflict with or constitute a breach of or default under any law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the City is a party or is otherwise subject, nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the properties or assets of the City under the terms of any such law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument;

(d) There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, pending or, to the best knowledge of the City after reasonable investigation, threatened against the City in any material respect affecting the existence of the City or the titles of its officers to their

respective offices or contesting or affecting, as to the City, the validity or enforceability of the Continuing Disclosure Certificate, the Indenture, the Installment Purchase Agreement, or this Purchase Contract or contesting the powers of the City or its authority to enter into, adopt or perform its obligations under any of the foregoing, or contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement, or any amendment or supplement thereto, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Indenture, the Installment Purchase Agreement or this Purchase Contract;

(e) All authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matter which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by the City of its obligations in connection with the Bonds have been duly obtained, except for such approvals, consents and orders as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Bonds; and all authorizations, approvals, licenses, permits, consents and orders of any governmental authority, board, agency or commission having jurisdiction of the matter which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by the City of its obligations under the Continuing Disclosure Certificate, the Indenture, the Installment Purchase Agreement, or this Purchase Contract have been duly obtained (including to the extent required, any governmental permits and approvals, including demonstration of compliance with the California Environmental Quality Act, as amended, Division 13 of the California Public Resources Code (“CEQA”));

(f) The City will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request in order (i) to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate and (ii) to determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions, and will use its best efforts to continue such qualification in effect so long as required for distribution of the Bonds; provided, however, that in no event shall the City be required to take any action which would subject it to service of process in any jurisdiction in which it is not now so subject;

(g) Since June 30, 2011, except as referred to in or as contemplated by the Official Statement, with respect to its Sewer System, the City has not incurred any financial liabilities, direct or contingent, or entered into any transactions and there has not been any adverse change in the condition, financial or physical, of the Sewer System, in any case that would materially and adversely affect the ability of the City to meet its obligations under the Installment Purchase Agreement;

(h) To the best of the City’s knowledge, as of the date hereof, the Preliminary Official Statement as of its date and the Official Statement (excluding therefrom information about DTC and the book-entry only system) did not and do not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(i) As of the date thereof and at all times subsequent thereto to and including the date which is 25 days following the End of the Underwriting Period (as such term is hereinafter defined) for the Bonds, the Official Statement (excluding therefrom information about DTC and the book-entry only system) did not and will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(j) If between the date hereof and the date which is 25 days after the End of the Underwriting Period for the Bonds an event occurs which might or would cause the Official Statement (excluding therefrom information about DTC and the book-entry only system), as then supplemented or amended, to contain an untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the City will notify the Underwriter, and, if in the opinion of the City and the Underwriter, such event requires the preparation and publication of a supplement or amendment to the Official Statement, the City will forthwith prepare and furnish to the Underwriter (at the expense of the City) a reasonable number of copies of an amendment of or supplement to the Official Statement which will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time the Official Statement is delivered to prospective purchasers, not misleading. For the purposes of this subsection, between the date hereof and the date which is 25 days after the End of the Underwriting Period for the Bonds, the City will furnish such information with respect to itself as the Underwriter may from time to time reasonably request;

(k) If the information contained in the Official Statement is amended or supplemented pursuant to paragraph (j) of this section at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such subparagraph) at all times subsequent thereto up to and including the date which is 25 days after the End of the Underwriting Period for the Bonds, the Official Statement (excluding therefrom information about DTC and the book-entry only system), so supplemented or amended (including any financial and statistical data contained therein) will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(l) After the Closing up to and including the date which is 25 days after the end of the Underwriting Period for the Bonds, the City will not participate in the issuance of any amendment of or supplement to the Official Statement to which, after being furnished with a copy, the Underwriter shall reasonably object in writing;

(m) As used herein and for the purposes of the foregoing, the term "End of the Underwriting Period" for the Bonds shall mean the earlier of (i) the Closing Date (unless the City shall have been notified in writing to the contrary by the Underwriter on or prior to the Closing Date), or (ii) the date on which the End of the Underwriting Period for the Bonds has occurred under Rule 15c2-12; provided, that the City may treat as the End of the Underwriting Period for the Bonds the date specified as such in a notice from the Underwriter stating the date which is the End of the Underwriting Period;

(n) The Basic Financial Statements of the City for the Fiscal Year ended June 30, 2011, as contained in Appendix A to the Official Statement fairly and accurately presents the financial condition of the Sewer System as of such date, except as referred to in or contemplated by the Official Statement, and there has not been, nor does the City anticipate that there will be any adverse change of a material nature in the financial position, results of operations or condition, financial or otherwise, of the Sewer System;

(o) Between the date of this Purchase Contract and the Closing Date, the City will not, without the prior written consent of the Underwriter, offer or issue any bonds, notes or other obligations for borrowed money, or incur any material liabilities direct or contingent, payable from Net System Revenues (as defined in the Installment Purchase Agreement), nor does the City reasonably anticipate that there will be any adverse change of a material nature in the financial position, results of operations or condition, financial or otherwise, of the City;

(p) Any certificate signed by any authorized official of the City, and delivered to the Underwriter in connection with the execution and delivery of the Bonds, shall be deemed a representation and warranty by the City to the Underwriter as to the statements made therein; and

(q) The City has not failed to materially comply with the requirements of any disclosure undertaking of the City under Rule 15c2-12 in the last five years.

5. Conditions to the Obligations of the Underwriter. The Underwriter hereby enters into this Purchase Contract in reliance upon the representations and warranties of the Authority and the City contained herein and the representations and warranties to be contained in the documents and instruments to be delivered at the Closing and upon the performance by the Authority and the City of their obligations both on and as of the date hereof and as of the Closing Date. Accordingly, the Underwriter's obligations under this Purchase Contract to purchase, to accept delivery of and to pay for the Bonds shall be subject, at the option of the Underwriter, to the accuracy in all material respects of the statements of the officers and other officials of the Authority and the City made in any certificate or other document furnished pursuant to the provisions hereof, to the performance by the Authority and the City of their respective obligations to be performed hereunder and under such documents and instruments at or prior to the Closing Date, and also shall be subject to the following additional conditions:

(a) The Underwriter shall receive, within seven (7) business days of the date hereof copies of the Official Statement (including all information previously permitted to have been omitted by Rule 15c2-12 and any amendments or supplements as have been approved by the Underwriter) in such reasonable quantity as the Underwriter shall have requested;

(b) The representations and warranties of the Authority and the City contained herein shall be true and correct on the date hereof and on the Closing Date as if made on and at the Closing;

(c) At the Closing, the Indenture, the Installment Purchase Agreement, this Purchase Contract and the Continuing Disclosure Certificate shall have been duly authorized, executed and delivered by the respective parties thereto, and the Official Statement shall have been duly authorized, executed and delivered by the Authority and the City, all in

substantially the forms heretofore submitted to the Underwriter, with only such changes as shall have been agreed to in writing by the Underwriter, and shall be in full force and effect; and there shall be in full force and effect such resolution or resolutions of the Board of Directors of the Authority and the City Council of the City as, in the opinion of Orrick, Herrington & Sutcliffe LLP (“Bond Counsel”), and Stradling Yocca Carlson & Rauth, Sacramento, California, Disclosure Counsel (“Disclosure Counsel”), shall be necessary or appropriate in connection with the transactions contemplated hereby;

(d) Between the date hereof and the Closing Date, the market price or marketability, at the initial offering price set forth in the Official Statement, of the Bonds shall not have been materially adversely affected, in the judgment of the Underwriter (evidenced by a written notice to the Authority and the City terminating the obligation of the Underwriter to accept delivery of and make any payment for the Bonds), by reason of any of the following:

(1) An amendment to the Constitution of the United States or the State of California shall have been passed or legislation shall have been introduced in or enacted by the Congress of the United States or the legislature of any state having jurisdiction of the subject matter or legislation pending in the Congress of the United States shall have been amended or legislation shall have been recommended to the Congress of the United States or to any state having jurisdiction of the subject matter or otherwise endorsed for passage (by press release, other form of notice or otherwise) by the President of the United States, the Treasury Department of the United States, the Internal Revenue Service or the Chairman or ranking minority member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Underwriter, or legislation shall have been proposed for consideration by either such Committee by any member thereof or presented as an option for consideration by either such Committee by the staff of such Committee or by the staff of the Joint Committee on Taxation of the Congress of the United States, or legislation shall have been favorably reported for passage to either House of the Congress of the United States by a Committee of such House to which such legislation has been referred for consideration, or a decision shall have been rendered by a court of the United States or of the State of California or the Tax Court of the United States, or a ruling shall have been made or a regulation or temporary regulation shall have been proposed or made or any other release or announcement shall have been made by the Treasury Department of the United States, the Internal Revenue Service or other federal or State of California authority, with respect to federal or State of California taxation upon revenues or other income of the general character to be derived by the Authority or upon interest received on obligations of the general character of the Bonds which, in the reasonable judgment of the Underwriter, may have the purpose or effect, directly or indirectly, of affecting the tax status of the Authority, its property or income, its securities (including the Bonds) or the interest thereon, or any tax exemption granted or authorized by State of California legislation or, in the reasonable judgment of the Underwriter, materially and adversely affecting the market for the Bonds or the market price generally of obligations of the general character of the Bonds;

(2) Legislation enacted, introduced in the Congress or recommended for passage by the President of the United States, or a decision rendered by a court

established under Article III of the Constitution of the United States or by the Tax Court of the United States, or an order, ruling, regulation (final, temporary or proposed) or official statement issued or made by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter shall have been made or issued to the effect that obligations of the general character of the Bonds, or the Bonds, including any or all underlying arrangements, are not exempt from registration under the Securities Act of 1933, as amended, or that the Indenture is not exempt from qualification under the Trust Indenture Act of 1939, as amended;

(3) The declaration of war or engagement in major military hostilities by the United States or the occurrence of any other national emergency or calamity relating to the effective operation of the government of, or the financial community in, the United States;

(4) The declaration of a general banking moratorium by federal, New York or California authorities, or the general suspension of trading on any national securities exchange;

(5) The imposition by the New York Stock Exchange or other national securities exchange, or any governmental authority, of any material restrictions not now in force with respect to the Bonds or obligations of the general character of the Bonds or securities generally, or the material increase of any such restrictions now in force, including those relating to the extension of credit by, or the charge to the net capital requirements of, the Underwriter;

(6) An order, decree or injunction of any court of competent jurisdiction, or order, ruling, regulation or official statement by the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter, issued or made to the effect that the issuance, offering or sale of obligations of the general character of the Bonds, or the issuance, offering or sale of the Bonds, including any or all underlying obligations, as contemplated hereby or by the Official Statement, is or would be in violation of the federal securities laws as amended and then in effect;

(7) The withdrawal or downgrading of any rating of the Bonds by a national rating agency, or placement of any rating on the Bonds on "credit watch," or "negative outlook" or issuance of any similar official statement relating to the rating on the Bonds by any rating agency rating the Bonds; or

(8) Any event occurring, or information becoming known which, in the reasonable judgment of the Underwriter, makes untrue in any material respect any statement or information contained in the Official Statement, or has the effect that the Official Statement contains any untrue statement of material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, or the Official Statement shall have been supplemented or amended without the approval of the Underwriter;

(e) At or prior to the Closing Date, the Underwriter shall have received the following documents, in each case satisfactory in form and substance to the Underwriter:

(1) The Official Statement and each supplement or amendment, if any, thereto, executed on behalf of the Authority and the City;

(2) Copies of the Indenture, the Installment Purchase Agreement and the Continuing Disclosure Certificate, each duly executed and delivered by the respective parties thereto;

(3) The approving opinion of Bond Counsel, dated the Closing Date and addressed to the Authority, in substantially the form attached to the Official Statement as Appendix D thereto, and a letter of such counsel, dated the Closing Date and addressed to the Underwriter, to the effect that such opinion may be relied upon by the Underwriter to the same extent as if such opinion were addressed to them;

(4) The supplemental opinion of Bond Counsel, dated the Closing Date and addressed to the Underwriter in substantially the form attached hereto as Exhibit B;

(5) An opinion of Bond Counsel to the effect that the Refunded Bonds have been defeased in accordance with the documents pursuant to which they were issued;

(6) The opinion of the City Attorney, counsel for the Authority, dated the Closing Date and addressed to the Underwriter, in substantially the form attached hereto as Exhibit C;

(7) The opinion of the City Attorney, counsel for the City, dated the Closing Date and addressed to the Underwriter, in substantially the form attached hereto as Exhibit D;

(8) The opinion of Disclosure Counsel, dated the Closing Date and addressed to the City and the Underwriter, to the effect that (i) the Bonds are exempt from registration under the Securities Act of 1933, as amended, and the Indenture is exempt from qualification under the Trust Indenture Act of 1939, as amended; and (ii) in their capacity as Disclosure Counsel, without assuming any responsibility for the accuracy, completeness or fairness of any of the statements contained in the Official Statement nor making any representation regarding independent verification of the accuracy, completeness or fairness of any of the statements contained in the Official Statement, such counsel advises that no information has come to the attention of the attorneys in the firm representing the City in connection with the issuance of the bonds which would lead them to believe that the Official Statement (except for information relating to any financial, statistical, economic or demographic data or forecasts, numbers, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion, the information in Appendix A, B, C, D and F to the Official Statement, or any information about book-entry or DTC included therein, as to which no opinion or view need be expressed) as of its date contained, or as of the date of the Closing, contains, any untrue statement of a material fact or omitted or omits to state

any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(9) A certificate or certificates, dated the Closing Date, signed by a duly authorized official of the Authority satisfactory to the Underwriter, in form and substance satisfactory to the Underwriter, to the effect that (i) the representations and warranties of the Authority contained in this Purchase Contract are true and correct in all material respects on and as of the Closing Date with the same effect as if made on the Closing Date; (ii) to the best knowledge of such official after reasonable investigation, there is no action, suit, proceeding, inquiry or investigation pending or threatened (a) to restrain or enjoin the execution, sale or delivery of any of the Bonds, (b) in any way affecting the validity of the Bonds, this Purchase Contract, the Indenture or the Installment Purchase Agreement or (c) in any way contesting the existence or powers of the Authority; and (iii) no event affecting the Authority has occurred since the date of the Official Statement which either makes untrue or incorrect in any material respect as of the Closing Date any statement or information contained in the Official Statement relating to the Authority or is not reflected in the Official Statement but should be reflected therein in order to make the statements and information therein relating to the Authority not misleading in any material respect;

(10) A certificate or certificates, dated the Closing Date, signed by a duly authorized official of the City satisfactory to the Underwriter, in form and substance satisfactory to the Underwriter, to the effect that (i) the representations and warranties of the City contained in this Purchase Contract are true and correct in all material respects on and as of the Closing Date with the same effect as if made on the Closing Date; (ii) to the best knowledge of such official after reasonable investigation, there is no action, suit, proceeding, inquiry or investigation pending or threatened (a) to restrain or enjoin the payment of the 2012 Installment Payments under the Installment Purchase Agreement, (b) in any way contesting or affecting the validity of the Continuing Disclosure Certificate, this Purchase Contract, the Indenture or the Installment Purchase Agreement, or (c) in any way contesting the existence or powers of the City, nor to the best knowledge of such official after reasonable investigation, is there any basis for any such action, suit, proceeding, inquiry or investigation, wherein an unfavorable decision, ruling or finding would make invalid or materially adversely affect the authorization, execution, delivery or performance by the City of the foregoing; (iii) no event affecting the City has occurred since the date of the Official Statement which either makes untrue or incorrect in any material respect as of the Closing Date any statement or information contained in the Official Statement, relating to the City, or is not reflected in the Official Statement but should be reflected therein in order to make the statements and information therein relating to the City not misleading in any material respect; and (iv) since June 30, 2011, except as referred to in or as contemplated by the Official Statement, with respect to its Sewer System, the City has not incurred any financial liabilities, direct or contingent, or entered into any transactions and there has not been any adverse change in the condition, financial or physical, of the Sewer System, in any case that would materially and adversely affect the ability of the City to meet its obligations under the Installment Purchase Agreement;

(11) A certificate, dated the Closing Date, signed by a duly authorized official of the Trustee, satisfactory in form and substance to the Underwriter, to the effect that: (i) the Trustee is a national banking association organized and existing under and by virtue of the laws of the United States of America, having the full power and being qualified to enter into and perform its duties under the Indenture; (ii) the Trustee is duly authorized to enter into the Indenture and the Indenture has been executed and delivered by a duly authorized representative; (iii) the execution and delivery of the Indenture and compliance with the provisions on the Trustee's part contained therein, will not conflict with or constitute a breach of or default under any law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Trustee is a party or is otherwise subject (except that no representation, warranty or agreement is made with respect to any federal or state securities or Blue Sky laws or regulations), nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the properties or assets held by the Trustee pursuant to the lien created by the Indenture under the terms of any such law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument, except as provided by the Indenture; (iv) it has not been served with any action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, nor is any such action, to the best of such official's knowledge after reasonable investigation, threatened against the Trustee, as such but not in its individual capacity, affecting the existence of the Trustee, or the titles of its officers to their respective offices, or seeking to prohibit, restrain or enjoin the collection of the 2012 Payments to be applied to pay the principal, premium, if any, and interest with respect to the Bonds, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the Indenture, or contesting the powers of the Trustee or its authority to enter into, adopt or perform its obligations under any of the foregoing, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Indenture; (v) the Trustee has caused the Bonds to be authenticated by the genuine manual signature of its duly authorized representative and (vi) subject to the provisions of the Indenture and applicable law, the Trustee has applied the proceeds from the Bonds as provided in the Indenture;

(12) A certified copy of the general resolution of the Trustee authorizing the execution and delivery of the Indenture;

(13) A certified copy of the resolution of the Authority authorizing the execution and delivery of the Indenture, the Installment Purchase Agreement, the Purchase Contract, and the Official Statement and the Bonds;

(14) A certified copy of the resolution of the City authorizing the execution and delivery of the Indenture, the Installment Purchase Agreement, the Purchase Contract, the Continuing Disclosure Certificate and the Official Statement;

(15) Evidence that any ratings on the Bonds described in the Official Statement are in full force and effect as of the Closing Date;

(16) A Verification Report relating to the Refunded Bonds prepared by \_\_\_\_\_;

(17) A Tax Certificate of the City with respect to the Bonds, together with Form 8038-G, in form satisfactory to Bond Counsel, signed by an appropriate officer of the City and the Authority; and

(18) Such additional legal opinions, certificates, proceedings, instruments, insurance policies or evidences thereof and other documents as the Underwriter, Disclosure Counsel or Bond Counsel may reasonably request to evidence the truth and accuracy, as of the date hereof and as of the Closing Date, of the representations of the Authority and the City herein and of the statements and information contained in the Official Statement, and the due performance or satisfaction by the Authority and the City at or prior to the Closing of all agreements then to be performed and all conditions then to be satisfied by the Authority and the City in connection with the transactions contemplated hereby and by the Indenture and the Installment Purchase Agreement.

If the Authority and the City shall be unable to satisfy the conditions to the Underwriter's obligations contained in this Purchase Contract or if the Underwriter's obligations shall be terminated for any reason permitted herein, all obligations of the Underwriter hereunder may be terminated by the Underwriter at, or at any time prior to, the Closing Date by written notice to the Authority and the City and neither the Underwriter nor the Authority or the City shall have any further obligations hereunder.

6. Expenses. All expenses and costs incident to the authorization, issuance, delivery and sale of the Bonds to the Underwriter, including the costs of printing of the Bonds, the Preliminary Official Statement, the Official Statement and the Blue Sky Survey, the cost of duplicating the Indenture, the Installment Purchase Agreement and the Continuing Disclosure Certificate, the fees of accountants, financial advisors, consultants and rating agencies, bond insurance and surety premiums, if any, the initial fee of the Trustee and its counsel in connection with the issuance of the Bonds and the fees and expenses of Bond Counsel and Disclosure Counsel shall be paid from the proceeds of the Bonds. In the event that the Bonds for any reason are not issued, or to the extent proceeds of the Bonds are insufficient or unavailable therefor, any fees, costs and expenses owed by the Authority or the City, which otherwise would have been paid from the proceeds of the Bonds, shall be paid by the Authority or the City. All out of pocket expenses of the Underwriter, including traveling and other expenses, the California Debt and Investment Advisory Commission fee and the fees and expenses of Underwriter's Counsel (other than as set forth in this paragraph), shall be paid by the Underwriter.

7. Notices. Any notice or other communication to be given under this Purchase Contract may be given by delivering the same in writing to the respective parties at the following address:

Underwriter: E.J. De La Rosa & Co.  
101 Montgomery St., Suite 2150  
San Francisco, CA 94104

Authority: Turlock Public Financing Authority  
C/O City of Turlock  
156 S. Broadway  
Turlock, CA 95380-5454  
Attn: Administrative Services Director

City: City of Turlock  
156 S. Broadway  
Turlock, CA 95380-5454  
Attn: Administrative Services Director

8. Survival of Representations and Warranties. The representations and warranties of the Authority and the City set forth in or made pursuant to this Purchase Contract shall not be deemed to have been discharged, satisfied or otherwise rendered void by reason of the Closing or termination of this Purchase Contract and regardless of any investigations or statements as to the results thereof made by or on behalf of the Underwriter and regardless of delivery of and payment for the Bonds.

9. Effectiveness and Counterpart Signatures. This Purchase Contract shall become effective and binding upon the respective parties hereto upon the execution of the acceptance hereof by duly authorized officers of the Authority and the City and shall be valid and enforceable as of the time of such acceptance. This Purchase Contract may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

10. Parties in Interest. This Purchase Contract is made solely for the benefit of the Authority, the City and the Underwriter (including the successors or assigns of the Underwriter) and no other person shall acquire or have any right hereunder or by virtue hereof.

11. Headings. The headings of the sections of this Purchase Contract are inserted for convenience only and shall not be deemed to be a part hereof.

12. Relationship of the Parties. The City, the Authority and the Underwriter acknowledge and agree that (i) the purchase and sale of the Bonds pursuant to this Agreement is an arm's-length commercial transaction among the City, the Authority and the Underwriter, (ii) in connection with such transaction, the Underwriter is acting solely as a principal and not as an agent or a fiduciary of the City or the Authority, (iii) the Underwriter has not assumed (individually or collectively) a fiduciary responsibility in favor of the City or the Authority with respect to the offering of the Bonds or the process leading thereto (whether or not the Underwriter, or any affiliate of the Underwriter, has advised or is currently advising the City or the Authority on other matters) or any other contractual obligation to the City or the Authority except the contractual obligations expressly set forth in this Agreement and (iv) the City, the Authority and the Underwriter have consulted with their own legal and financial advisors to the extent they deemed appropriate in connection with the offering of the Bonds. Nothing in the foregoing paragraph is intended to limit the Underwriter's obligations of fair dealing under MSRB Rule G-17.

13. Governing Law. This Purchase Contract shall be construed in accordance with the laws of the State of California.

Very truly yours,

E.J. DE LA ROSA & CO., INC.,  
as Underwriter

By: \_\_\_\_\_  
Principal

ACCEPTED:

TURLOCK PUBLIC FINANCING AUTHORITY

By: \_\_\_\_\_  
Executive Director

CITY OF TURLOCK

By: \_\_\_\_\_  
City Manager

**EXHIBIT A**

**MATURITY SCHEDULE**

\$ \_\_\_\_\_ Series 2012 Bonds

\$ \_\_\_\_\_ Series 2012 Serial Bonds

<i>Maturity (September 15)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>
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\$ \_\_\_\_\_ % Series 2012 Term Bonds Due September 15, 20\_\_ - Price \_\_\_%\*

**Redemption Provisions**

**EXHIBIT B**

**FORM OF SUPPLEMENTAL OPINION OF  
ORRICK, HERRINGTON & SUTCLIFFE, LLP BOND COUNSEL**

September \_\_, 2012

E.J. De La Rosa & Co., Inc.  
as Underwriter  
San Francisco, California

Turlock Public Financing Authority Sewer Revenue Bonds, Series 2012  
(Supplemental Opinion)

Ladies and Gentlemen:

This letter is addressed to you, as Underwriter, pursuant to Section 5(e)(4) of the Bond Purchase Contract, dated August \_\_, 2012 (the "Purchase Contract"), among you, the Turlock Public Financing Authority (the "Authority") and the City of Turlock (the "City"), providing for the purchase of \$ \_\_\_\_\_ aggregate principal amount of Turlock Public Financing Authority Sewer Revenue Bonds, Series 2012 (the "Bonds"). The Bonds are being issued pursuant to an Indenture, dated as of September 1, 2012 (the "Indenture"), between the Authority and U.S. Bank National Association, as trustee (the "Trustee"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture, or, if not defined in the Indenture, in the Purchase Contract.

In connection with our role as bond counsel to the Authority, we have reviewed the Purchase Contract; the Indenture; the Master Installment Purchase Agreement, dated as of September 1, 2012 (the "Master Installment Purchase Agreement"), as supplemented by the 2012 Supplement to Master Installment Purchase Agreement, dated as of September 1, 2012 (the "2012 Supplement" and together with the Master Installment Purchase Agreement, the "Installment Purchase Agreement"), each between the City and the Authority; the Tax Certificate and Agreement, dated the date hereof (the "Tax Certificate"), between the Authority and the City; opinions of counsel to the Authority, the Trustee and the City; certificates of the Authority, the Trustee, the City and others; and such other documents, opinions and matters to the extent we deemed necessary to provide the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Authority and the City. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in

the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. We have further assumed compliance with all covenants and agreements contained in such documents. In addition, we call attention to the fact that the rights and obligations under the Bonds, the Indenture, the Installment Purchase Agreement, the Tax Certificate and the Purchase Contract and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against joint powers authorities and cities in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, arbitration, judicial reference, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents, nor do we express any opinions with respect to the state or quality of title to or interest in any assets described in or as subject to the lien of the Indenture or the Installment Purchase Agreement or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets. Finally, we undertake no responsibility for the accuracy, except as expressly set forth in numbered paragraph 3 below, completeness or fairness of the Official Statement dated August \_\_, 2012 (the "Official Statement") or other offering material relating to the Bonds and express no opinion relating thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Indenture is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended.

2. The Purchase Contract has been duly executed and delivered by, and is a valid and binding agreement of, the Authority and the City, respectively.

3. The statements contained in the Official Statement under the captions "THE SERIES 2012 BONDS," "SECURITY FOR THE SERIES 2012 BONDS" (excluding therefrom the statements and information set forth under the caption therein entitled "Debt Service Requirements") and "TAX MATTERS" and in APPENDIX C – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS" and in APPENDIX D – "FORM OF BOND COUNSEL OPINION," excluding any material that may be treated as included under such captions by cross-reference, insofar as such statements expressly summarize certain provisions of the Indenture, the Installment Purchase Agreement and the form and content of our final legal opinion as bond counsel to the Authority concerning the validity of the Bonds and certain other matters, dated the date hereof and addressed to the Authority, are accurate in all material respects.

This letter is furnished by us as bond counsel to the Authority. No attorney-client relationship has existed or exists between our firm and you in connection with the Bonds or by virtue of this letter. Our engagement with respect to the Bonds has concluded with their issuance. We disclaim any obligation to update this letter. This letter is delivered to you as Underwriter of the Bonds is solely for your benefit as such Underwriter and is not to be used, circulated, quoted or otherwise referred to or relied upon for any other purpose or by any other person. This letter is not intended to, and may not, be relied upon by owners of Bonds or by any other party to whom it is not specifically addressed.

Very truly yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

**EXHIBIT C**

**FORM OF OPINION OF AUTHORITY COUNSEL**

E.J. De La Rosa & Co., Inc.

Ladies and Gentlemen:

I am the Turlock City Attorney, counsel to the Turlock Public Financing Authority (the "Authority"), a joint exercise of powers authority organized and existing pursuant to Title 1, Division 7, Chapter 5 of the Government Code of the State of California, and this opinion is rendered in connection with the issuance of the Turlock Public Financing Authority Sewer Revenue Bonds, Series 2012 in the aggregate principal amount of \$\_\_\_\_\_ (the "Bonds"). Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Bond Purchase Contract with respect to the Series 2012 Bonds dated August \_\_, 2012, among the Authority, the City and E.J. De La Rosa & Co. Inc., as Underwriter of the Bonds (the "Purchase Contract").

Based on the foregoing, I am of the opinion that:

(1) The Authority is a joint exercise of powers authority duly organized and validly existing under the laws of the State of California.

(2) The resolution of the Authority approving and authorizing the issuance and sale of the Bonds, the execution and delivery of the Indenture, the Installment Purchase Agreement, the Purchase Contract and the Official Statement by the Authority (the "Resolution") was duly adopted at a regular meeting of the Board of Directors of the Authority, which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout and such Resolution has not been amended, modified or rescinded.

(3) There is no action, suit, proceeding, inquiry or investigation at law or in equity before or by any court, public board or body, pending (with service of process having been accomplished) or, to my current actual knowledge after reasonable investigation, threatened against or affecting the Authority, in any way contesting or affecting the validity of the Bonds, the Resolution, the Indenture, the Installment Purchase Agreement or the Purchase Contract.

(4) The issuance and sale of the Bonds and the execution and delivery of the Indenture, the Installment Purchase Agreement, the Purchase Contract and the Official Statement by the Authority, the adoption of the Resolution, and compliance by the Authority with the provisions of the foregoing, as appropriate, under the circumstances contemplated thereby, does not and will not in any material respect conflict with or constitute on the part of the Authority a breach or default under any agreement or other instrument to which the Authority is a party or by which it is bound or any existing law, regulation, court order or consent decree to which the Authority is subject.

## EXHIBIT D

### FORM OF OPINION OF CITY ATTORNEY

E.J. De La Rosa & Co. Inc.

Ladies and Gentlemen:

I am the Turlock City Attorney, counsel to the City of Turlock (the "City"), a body politic and corporate. This opinion is rendered in connection with the issuance of the Turlock Public Financing Authority Sewer Revenue Bonds, Series 2012 in the aggregate principal amount of \$\_\_\_\_\_ (the "Bonds"). Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Bond Purchase Contract with respect to the Series 2012 Bonds dated August \_\_, 2012, among the Authority, the City and E.J. De La Rosa & Co. Inc., as Underwriter of the Bonds (the "Purchase Contract").

I am of the opinion that:

(1) The City is the organized and existing body politic and corporate of the State of California.

(2) The resolution of the City approving and authorizing the execution and delivery of the Indenture, Installment Purchase Agreement, the Purchase Contracts, the Continuing Disclosure Certificate, and the Official Statement by the City (the "Resolution") was duly adopted at a meeting of the City Council, which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout and such Resolution has not been amended, modified or rescinded.

(3) There is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending (with service of process having been accomplished) or, to my current actual knowledge after reasonable investigation, threatened against or affecting the City, in any way contesting or affecting the validity of the Installment Purchase Agreement, the Resolution or the Purchase Contracts.

(4) The execution and delivery of the Indenture, Installment Purchase Agreement, the Purchase Contracts, the Continuing Disclosure Certificate and the Official Statement by the City, the adoption of the Resolution, and compliance by the City with the provisions of the foregoing, as appropriate, under the circumstances contemplated thereby, does not and will not in any material respect conflict with or constitute on the part of the City a breach or default under any agreement or other instrument to which the City is a party (and of which I have current actual knowledge after reasonable investigation) or by which it is bound (and of which I have current actual knowledge after reasonable investigation) or any existing law, regulation, court order to consent decree to which the City is subject.

(5) The Official Statement has been duly authorized, executed and delivered, and the Indenture, the Installment Purchase Agreement, the Continuing Disclosure Certificate and the Purchase Contract have been duly authorized, executed and delivered by the City and,

assuming due authorization, execution and delivery by other parties thereto, the Installment Purchase Agreement, the Continuing Disclosure Certificate and the Purchase Contract constitute legal, valid and binding agreements of the City, enforceable in accordance with their respective terms, subject in each case to laws relating to bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and the application of equitable principles. The enforceability of the foregoing agreements may be subject or limited by the unenforceability under certain circumstances of provisions imposing penalties, forfeitures or late payment charges upon delinquency in payment or occurrence of a default, and no opinion is expressed as to any indemnification provisions contained therein.

(6) Except as described in the Official Statement, no authorization, approval, consent, or other order of the State of California or any other governmental authority or agency having jurisdiction over the City is required for the valid authorization, execution, delivery and performance by the City of the Indenture, the Installment Purchase Agreement, the Continuing Disclosure Certificate, the Official Statement or the Purchase Contract or for the adoption of the Resolution which has not been obtained, provided that no opinion is expressed with respect to qualification under Blue Sky or other state securities laws.

(7) Under the laws of the State of California, the City has the authority to fix and collect charges for service and is not presently subject to the regulatory jurisdiction of any state, regional or local governmental regulatory authority in connection with fixing and collecting such charges, and, to my current actual knowledge after reasonable investigation, no legislation is proposed or pending to restrict or limit such rates and charges except as set forth in the Official Statement.

(8) The Revenues (as defined in the Official Statement) are free and clear of and from any and all liens and encumbrances other than as set forth in the Official Statement.

Sincerely,

## CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City of Turlock, California (the "City") in connection with the issuance by the Turlock Public Financing Authority (the "Authority") of its \$\_\_\_\_\_ Sewer Revenue Bonds, Series 2012 (the "Series 2012 Bonds"). The Series 2012 Bonds are being issued pursuant to an Indenture, dated as of September 1, 2012 (the "Indenture"), between the Authority and U.S. Bank National Association, as trustee (the "Trustee"). The Authority and the City have entered into a Master Installment Purchase Agreement, dated as of September 1, 2012 (the "Master Installment Purchase Agreement"), between the Authority and the City, as supplemented by a 2012 Supplement to Master Installment Purchase Agreement, dated as of September 1, 2012 (the "2012 Supplement"), and in connection therewith the City covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. The Disclosure Certificate is being executed and delivered by the City for the benefit of the Holders and Beneficial Owners of the Series 2012 Bonds and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth above and in the Indenture, which apply to any capitalized term used in the Disclosure Certificate unless otherwise defined in this section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of the Disclosure Certificate.

"Beneficial Owner" shall mean any person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

"EMMA System" shall mean the MSRB's Electronic Municipal Market Access system, or such other electronic system designated by the MSRB.

"Listed Event" shall mean any of the events listed in Section 5(a) of the Disclosure Certificate.

"MSRB" means the Municipal Securities Rulemaking Board.

"Participating Underwriter" shall mean underwriter of the Series 2012 Bonds listed on the cover page of the Official Statement required to comply with the Rule in connection with offering of the Series 2012 Bonds.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of California.

SECTION 3. Provision of Annual Reports.

(a) The City shall, not later than 270 days after the end of the City's Fiscal Year (presently June 30), commencing with the report for the 2011-12 Fiscal Year, provide to the

MSRB through the EMMA System (in an electronic format and accompanied by identifying information all as prescribed by the MSRB) an Annual Report which is consistent with the requirements of Section 4 of the Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of the Disclosure Certificate; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the City's Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) If the City is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the City shall send to the MSRB a notice in substantially the form attached hereto as Exhibit A.

SECTION 4. Content of Annual Reports. The City's Annual Report shall contain the CUSIP numbers of the Series 2012 Bonds and include by reference the following:

(a) The audited financial statements of the Sewer System for the prior Fiscal Year (which may be presented as part of the City's Comprehensive Annual Financial Report), prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board; provided, that if the audited financial statements for the Sewer System are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) An annual report updating the following tables contained in the Official Statement for the Series 2012 Bonds, dated August \_\_, 2012:

[TO COME]

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which have been submitted to the MSRB or the Securities and Exchange Commission; provided, that if any document included by reference is a final official statement, it must be available from the MSRB; and provided further, that the City shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2012 Bonds in a timely manner not more than ten (10) business days after the event:

1. Principal and interest payment delinquencies;
2. Unscheduled draws on debt service reserves reflecting financial difficulties;
3. Unscheduled draws on credit enhancements reflecting financial difficulties;

4. Substitution of credit or liquidity providers, or their failure to perform;
5. Issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);
6. Tender offers;
7. Defeasances;
8. Rating changes; or
9. Bankruptcy, insolvency, receivership or similar event of the obligated person.

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) Pursuant to the provisions of this Section 5, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2012 Bonds, if material:

1. Unless described in paragraph 5(a)(5), adverse tax opinions or other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Series 2012 Bonds or other material events affecting the tax status of the Series 2012 Bonds;
2. Modifications to rights of holders of the Series 2012 Bonds;
3. Optional, unscheduled or contingent calls;
4. Release, substitution, or sale of property securing repayment of the Series 2012 Bonds;
5. Non-payment related defaults;
6. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or
7. Appointment of a successor or additional trustee or the change of name of a trustee.

(c) Whenever the City obtains knowledge of the occurrence of a Listed Event described in subsection (b), the City shall as soon as possible determine if such event would be material under applicable federal securities laws. If the City determines that knowledge of the occurrence of a Listed Event under Section 5(b) would be material under applicable federal securities laws, the City shall file a notice of such occurrence with EMMA in a timely manner not more than ten (10) business days after the event.

SECTION 6. Termination of Reporting Obligation. The City's obligations under the Disclosure Certificate shall terminate (a) upon the legal defeasance, prior redemption or payment in full of all of the Series 2012 Bonds, or (b) if, in the opinion of nationally recognized bond counsel, the City ceases to be an "obligated person" (within the meaning of the Rule) with respect to the Series 2012 Bonds or the Series 2012 Bonds otherwise cease to be subject to the requirements of the Rule. If such termination occurs prior to the final maturity of the Series 2012 Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

SECTION 7. Amendment; Waiver. Notwithstanding any other provision of the Disclosure Certificate, the City may amend the Disclosure Certificate, and any provision of the Disclosure Certificate may be waived; provided, that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Series 2012 Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Series 2012 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Series 2012 Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Series 2012 Bonds.

In the event of any amendment or waiver of a provision of the Disclosure Certificate, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 8. Additional Information. Nothing in the Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in the Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which

is required by the Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by the Disclosure Certificate, the City shall have no obligation under the Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 9. Default. In the event of a failure of the City to comply with any provision of the Disclosure Certificate, any Participating Underwriter or any Holder or Beneficial Owner of the Series 2012 Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under the Disclosure Certificate. A default under the Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under the Disclosure Certificate in the event of any failure of the City to comply with the Disclosure Certificate shall be an action to compel performance hereunder.

SECTION 10. Beneficiaries. The Disclosure Certificate shall inure solely to the benefit of the City, the Participating Underwriter and the Holders and Beneficial Owners from time to time of the Series 2012 Bonds, and shall create no rights in any other person or entity.

Dated: September \_\_, 2012.

CITY OF TURLOCK, CALIFORNIA

By: \_\_\_\_\_  
Authorized Officer

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Turlock Public Financing Authority

Name of Issue: \$ \_\_\_\_\_ Sewer Revenue Bonds, Series 2012 (the "Series 2012 Bonds ")

Date of Issuance: September \_\_2, 2012

NOTICE IS HEREBY GIVEN that the City has not provided an Annual Report with respect to the above-named Bonds as required by the Indenture, dated as of September 1, 2012 (the "Indenture"), between the Authority and U.S. Bank National Association, as trustee (the "Trustee"). The City anticipates that the Annual Report will be filed by \_\_\_\_\_.

Dated: \_\_\_\_\_, \_\_\_\_\_

CITY OF TURLOCK, CALIFORNIA

By: \_\_\_\_\_  
Authorized Officer

NEW ISSUE – BOOK ENTRY ONLYRATINGS

Moody's: \_\_\_

S&amp;P: \_\_\_

(See "RATINGS" herein)

*In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Series 2012 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Series 2012 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2012 Bonds. See "TAX MATTERS."*

§ \_\_\_\_\_

**TURLOCK PUBLIC FINANCING AUTHORITY  
SEWER REVENUE BONDS, SERIES 2012**

Dated: Date of Delivery

Due: September 15, as shown on inside cover

The Turlock Public Financing Authority (the "Authority") is issuing its Sewer Revenue Bonds, Series 2012 (the "Series 2012 Bonds") to provide funds to (i) refund all of the Authority's Sewer Revenue Bonds, Series 1999 in the outstanding principal amount of \$16,470,000 and its Sewer Revenue Bonds, Series 2003A in the outstanding principal amount of \$43,355,000 (collectively, the "Refunded Bonds"), and (ii) pay the costs of issuance of the Series 2012 Bonds. See "PLAN OF REFUNDING."

The Series 2012 Bonds may be purchased in book-entry form only in denominations of \$5,000 or any integral multiple thereof. The Depository Trust Company, New York, New York ("DTC") will act as securities depository for the Series 2012 Bonds. The Series 2012 Bonds are being issued in fully registered form, registered in the name of Cede & Co., as nominee of DTC. So long as the Series 2012 Bonds remain in book-entry form, purchasers will not receive certificates representing their interests in the Series 2012 Bonds purchased. See "APPENDIX F – BOOK-ENTRY ONLY SYSTEM."

The Series 2012 Bonds are being issued pursuant to an Indenture, dated as of September 1, 2012 (the "Indenture"), between the Authority and U.S. Bank National Association, as trustee (the "Trustee"). The Series 2012 Bonds are limited obligations of the Authority payable solely from Authority Revenues (as defined herein) and amounts on deposit in the funds and accounts established under the Indenture, other than the Rebate Fund. The Indenture authorizes the issuance of additional bonds from time to time secured by Authority Revenues and payable on a parity with the Series 2012 Bonds ("Parity Bonds"). See "SECURITY FOR THE SERIES 2012 BONDS" herein. "Authority Revenues" include (i) certain Installment Payments (the "2012 Installment Payments") made by the City pursuant to a Master Installment Purchase Agreement, dated as of September 1, 2012 (the "Master Installment Purchase Agreement"), between the Authority and the City, as supplemented by a 2012 Supplement to Master Installment Purchase Agreement, dated as of September 1, 2012 (the "2012 Supplement"), between the Authority and the City (and any other Installment Payments which may be pledged pursuant to the Indenture in connection with Parity Bonds, as such terms are defined herein) and (ii) the interest or profits from the investment of money in any fund or account (other than the Rebate Fund) established pursuant to the Indenture. The Master Installment Purchase Agreement, as supplemented by the 2012 Supplement, is referred to herein as the "Installment Purchase Agreement". The City's Installment Payments (as defined herein) under the Installment Purchase Agreement, including the 2012 Installment Payments, are payable solely from, and secured by a pledge of, Net System Revenues (as defined herein) of the City's Sewer System. The City has previously entered into obligations secured by Net System Revenues and payable on a parity with the 2012 Installment Payments ("Parity Obligations") and the Installment Purchase Agreement authorizes the issuance or creation of additional Parity Obligations. See "SECURITY FOR THE SERIES 2012 BONDS – Parity Obligations" herein.

THE SERIES 2012 BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY FROM THE AUTHORITY REVENUES. THE SERIES 2012 BONDS DO NOT CONSTITUTE A DEBT OR LIABILITY OF THE CITY OR THE STATE OF CALIFORNIA AND NEITHER THE FAITH AND CREDIT OF THE CITY NOR OF THE STATE OF CALIFORNIA ARE PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE SERIES 2012 BONDS. THE OBLIGATION OF THE CITY TO MAKE INSTALLMENT PAYMENTS DOES NOT CONSTITUTE AN OBLIGATION OF THE CITY FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE PLEDGE OF AUTHORITY REVENUES MADE BY THE AUTHORITY, NOR THE OBLIGATION OF THE CITY TO MAKE INSTALLMENT PAYMENTS, CREATES A LEGAL OR EQUITABLE PLEDGE, CHARGE, LIEN OR ENCUMBRANCE UPON ANY OF THE CITY'S PROPERTY, OR UPON ITS INCOME, RECEIPTS OR REVENUES OTHER THAN NET SYSTEM REVENUES. THE AUTHORITY HAS NO TAXING POWER.

Interest on the Series 2012 Bonds is payable on March 15 and September 15 of each year, commencing March 15, 2013.

The Series 2012 Bonds are subject to optional and mandatory redemption prior to maturity as described herein.

This cover page contains certain information for general reference only. It is not a summary of the issue. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed decision.

*The Series 2012 Bonds will be offered when, as and if issued and received by the Underwriter, subject to the approval as to their legality by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, and to certain other conditions. Certain legal matters in connection with the Series 2012 Bonds will be passed upon for the City and the Authority by the City Attorney of the City of Turlock, and for the City by Stradling Yocca Carlson & Rauth, a Professional Authority, Disclosure Counsel to the City. See "CERTAIN LEGAL MATTERS." It is expected that the Series 2012 Bonds will be available for delivery through DTC in New York, New York, on or about September \_\_, 2012.*

De La Rosa

The date of this Official Statement is September \_\_, 2012.

Preliminary; subject to change.

**MATURITY SCHEDULE**

\$ \_\_\_\_\_ **Serial Bonds**

<u>Maturity</u> <u>(September 15)</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Maturity</u> <u>(September 15)</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>
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\$ \_\_\_\_\_ % Term Bond due September 15, 20\_\_ Yield \_\_\_\_\_ %

No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations in connection with the offer or sale of the 2012 Bonds described herein, other than as contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the City, the Authority, or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, the 2012 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information set forth herein has been obtained from the City, the Authority and other sources which are believed to be reliable. The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Any statements in this Official Statement involving estimates, assumptions and matters of opinion, whether or not so expressly stated, are intended as such and not as representations that such estimates, assumptions and opinions will be realized or fulfilled. The information and expressions of opinion stated herein are subject to change without notice. The delivery of this Official Statement shall not, under any circumstances, create only implication that there has been no change in the affairs of the City since the date hereof. This Official Statement is submitted in connection with the sale of 2012 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not to be construed as a contract with the purchasers of the 2012 Bonds.

Certain statements included or incorporated by reference in the following information constitute "forward-looking statements." Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. No assurance is given that actual results will meet the City's forecasts in any way. Except as set forth in the Continuing Disclosure Agreement, neither the City nor the Authority plans to issue any updates or revisions to those forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur or do not occur.

IN CONNECTION WITH THE OFFERING OF THE 2012 BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH CERTIFICATES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE 2012 BONDS TO CERTAIN DEALERS AND DEALER BANKS ACTING AS AGENTS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES AND SUCH PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

The City maintains a website. However, the information presented therein is not part of this Official Statement and should not be relied upon in making an investment decision with respect to the Series 2012 Bonds.

**CITY OF TURLOCK, CALIFORNIA**

**CITY COUNCIL**

John Lazar  
*Mayor*

Mary Jackson  
*Councilmember*

Amy Bublak  
*Councilmember*

Bill DeHart Jr.  
*Councilmember*

Forrest White  
*Councilmember*

**OTHER ELECTED OFFICERS**

Diana Lewis  
*City Treasurer*

**CITY STAFF**

Roy W. Wasden  
*City Manager*

Kellie Weaver  
*City Clerk*

Dan Madden  
*Municipal Services Director*

Phaedra A. Norton  
*City Attorney*

**PROFESSIONAL SERVICES**

**Trustee**

U.S. Bank National Association  
*Los Angeles, California*

**Financial Advisor**

First Southwest Company

**Bond Counsel**

Orrick, Herrington & Sutcliffe LLP

**Disclosure Counsel**

Stradling Yocca Carlson & Rauth, a Professional Corporation

**[LOCATION MAP]**

**[SERVICE AREA MAP]**

## TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION.....	1
Rate Covenant.....	2
Additional Parity Obligations.....	2
Outstanding Parity Obligations.....	2
Redemption Provisions.....	2
The Turlock Sewer System.....	3
City of Turlock.....	3
The Authority.....	3
Investment Considerations.....	3
Continuing Disclosure and Additional Information.....	3
THE SERIES 2012 BONDS.....	3
General Terms.....	3
Redemption.....	4
PLAN OF REFUNDING.....	5
Purpose of Financing.....	5
Application of Proceeds.....	7
SECURITY FOR THE SERIES 2012 BONDS.....	7
Sewer Fund; Allocation of System Revenues.....	9
Obligation of City Under Installment Purchase Agreement.....	9
Rate Covenant.....	10
Rate Stabilization Fund.....	10
Pledge Under the Indenture.....	10
Additional Parity Obligations.....	11
Existing Parity Obligations.....	13
Subordinated Obligations.....	13
Debt Service Requirements.....	14
THE AUTHORITY.....	14
SEWER SYSTEM.....	15
Service Area.....	15
Operations and Staff.....	15
Revenues by Customer Type and Largest Users.....	16
Historical and Projected Rate Increases.....	19
Billing and Collection Procedures.....	20
Regulatory Matters.....	20
Capital Improvements.....	21
Certain Retirement Benefits.....	22
Insurance.....	23
Historical and Projected Operating Results.....	23
INVESTMENT CONSIDERATIONS.....	1
Rate Covenant Not a Guarantee.....	1
Statutory and Regulatory Impact.....	1
Earthquake, Flood or Other Natural Disasters.....	1
Projected Operating Results.....	2
Certain Limitations on the Ability of the City to Impose Taxes, Fees and Charges.....	2
Potential Acceleration of SRF Loans.....	4

TAX MATTERS .....	4
INDEPENDENT ACCOUNTANTS .....	6
RATINGS .....	6
UNDERWRITING.....	7
FINANCIAL ADVISOR .....	7
VERIFICATION OF MATHEMATICAL COMPUTATIONS .....	7
CERTAIN LEGAL MATTERS.....	7
LITIGATION.....	8
CONTINUING DISCLOSURE.....	8
MISCELLANEOUS .....	9

APPENDIX A AUDITED FINANCIAL STATEMENTS OF THE CITY OF TURLOCK FOR YEARS ENDED JUNE 30, 2011 AND JUNE 30, 2010 .....	A-1
APPENDIX B CERTAIN INFORMATION REGARDING THE CITY OF TURLOCK .....	B-1
APPENDIX C SUMMARY OF PRINCIPAL LEGAL DOCUMENTS .....	C-1
APPENDIX D FORM OF BOND COUNSEL OPINION .....	D-1
APPENDIX E FORM OF CONTINUING DISCLOSURE AGREEMENT.....	E-1
APPENDIX F BOOK-ENTRY ONLY SYSTEM.....	F-1

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**TURLOCK PUBLIC FINANCING AUTHORITY  
SEWER REVENUE BONDS, SERIES 2012**

**INTRODUCTION**

This Official Statement, which includes the cover page, inside cover and appendices, is being furnished in connection with the issuance by the Turlock Public Financing Authority (the "Authority") of its \$ \_\_\_\_\_ \* aggregate principal amount of Sewer Revenue Bonds, Series 2012 (the "Series 2012 Bonds"). Capitalized terms not otherwise defined herein shall have the meaning given to such terms in APPENDIX C — "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS."

The Series 2012 Bonds are being issued pursuant to the provisions of the Joint Exercise of Powers Act, consisting of Articles 1, 2, 3 and 4 of Chapter 5 of Division 7 of Title 1 (commencing with Section 6500), of the Government Code of the State of California, and pursuant to an Indenture, dated as of September 1, 2012 (the "Indenture"), between the Authority and U.S. Bank National Association, as trustee (the "Trustee") to (i) refund all of the Authority's Sewer Revenue Bonds, Series 1999 in the outstanding principal amount of \$16,470,000 and its Sewer Revenue Bonds, Series 2003A in the outstanding principal amount of \$43,355,000 (collectively, the "Refunded Bonds"), and (ii) pay the costs of issuance of the Series 2012 Bonds. See "PLAN OF REFUNDING." The Series 2012 Bonds are limited obligations of the Authority payable solely from Authority Revenues (as defined herein) and amounts on deposit in the funds and accounts established under the Indenture, other than the Rebate Fund. The Indenture authorizes the issuance of additional bonds secured by Authority Revenues and payable on a parity with the Series 2012 Bonds ("Parity Bonds"). See "SECURITY FOR THE SERIES 2012 BONDS" herein.

"Authority Revenues" include (i) certain Installment Payments (the "2012 Installment Payments") made by the City pursuant to a Master Installment Purchase Agreement, dated as of September 1, 2012 (the "Master Installment Purchase Agreement"), between the Authority and the City, as supplemented by a 2012 Supplement to Master Installment Purchase Agreement, dated as of September 1, 2012 (the "2012 Supplement"), between the Authority and the City (and any other Installment Payments which may be pledged pursuant to the Indenture in connection with Parity Bonds) and (ii) the interest or profits from the investment of money in any fund or account (other than the Rebate Fund) established pursuant to the Indenture. The Master Installment Purchase Agreement, as supplemented by the 2012 Supplement, is referred to herein as the "Installment Purchase Agreement." See "SECURITY FOR THE SERIES 2012 BONDS."

The City's Installment Payments (as defined herein) under the Installment Purchase Agreement, including the 2012 Installment Payments, are payable solely from, and secured by a pledge of, Net System Revenues (as defined herein) of the City's Sewer System. The City has previously entered into obligations secured by Net System Revenues and payable on a parity with the 2012 Installment Payments ("Parity Obligations") and the Installment Purchase Agreement authorizes the issuance or creation of additional Parity Obligations. See "SECURITY FOR THE SERIES 2012 BONDS –Additional Parity Obligations" and "—Existing Parity Obligations" herein.

"Net System Revenues," for any Fiscal Year, generally consist of System Revenues for such Fiscal Year less Maintenance and Operation Costs of the Sewer System for such Fiscal Year. "System Revenues" consist primarily of moneys derived by the City from the ownership and operation of the Sewer System. See "SECURITY FOR THE SERIES 2012 BONDS."

The Installment Purchase Agreement defines the Sewer System as any and all facilities, properties and improvements at any time owned, controlled or operated by the City as part of the Sewer Fund for the collection, treatment, distribution, administration, disposal or reclamation of wastewater.

THE SERIES 2012 BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY FROM THE AUTHORITY REVENUES. THE SERIES 2012 BONDS DO NOT CONSTITUTE A DEBT OR LIABILITY OF THE CITY OR THE STATE OF CALIFORNIA AND NEITHER THE FAITH AND CREDIT OF THE CITY NOR OF THE STATE OF CALIFORNIA ARE PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE SERIES 2012 BONDS. THE OBLIGATION OF THE CITY TO MAKE INSTALLMENT PAYMENTS DOES NOT CONSTITUTE AN OBLIGATION OF THE CITY FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE PLEDGE OF AUTHORITY REVENUES MADE BY THE AUTHORITY, NOR THE OBLIGATION OF THE CITY TO MAKE INSTALLMENT PAYMENTS, CREATES A LEGAL OR EQUITABLE PLEDGE, CHARGE, LIEN OR ENCUMBRANCE UPON ANY OF THE CITY'S PROPERTY, OR UPON ITS INCOME, RECEIPTS OR REVENUES OTHER THAN NET SYSTEM REVENUES. THE AUTHORITY HAS NO TAXING POWER.

**Rate Covenant**

The City has covenanted in the Installment Purchase Agreement to fix, prescribe and collect rates and charges for the Sewer Service (as defined herein) which will be at least sufficient to pay all Obligations (other than Parity Obligations) and to yield during each Fiscal Year Net System Revenues equal to 120% of the Debt Service for such Fiscal Year. Net System Revenues may be increased or reduced by transfers in or out of the Rate Stabilization Fund as provided in the Installment Purchase Agreement. See "SECURITY FOR THE SERIES 2012 BONDS" and "INVESTMENT CONSIDERATIONS — Impact of Proposition 218 on Water Service Rates and Charges."

**Additional Parity Obligations**

The Installment Purchase Agreement authorizes the issuance or creation of additional Obligations secured by the pledge of Net System Revenues and payable on a parity with the 2012 Installment Payments ("Parity Obligations"). See "SECURITY FOR THE SERIES 2012 BONDS – Parity Obligations" herein. The City may not create any Obligation secured by Net System Revenues the payment of which is senior or prior in right to the payment by the City of Parity Obligations.

**Outstanding Parity Obligations**

In 2011 the City entered into two Project Finance Agreements with the State Water Resources Control Board State Revolving Fund (the "SRF Loans") in the aggregate available principal amount of \$44 million. The SRF Loans constitute Parity Obligations under the Installment Purchase Agreement. See "SECURITY FOR THE SERIES 2012 BONDS – Existing Parity Obligations" herein.

**Redemption Provisions**

The Series 2012 Bonds are subject to optional and mandatory redemption prior to maturity. See "THE SERIES 2012 BONDS."

## **The Turlock Sewer System**

The Sewer System is owned and operated by the City under the administration of the Municipal Services Department (the “Department”). The operations of the Sewer System are accounted for in an enterprise fund (the “Sewer Fund”) established and maintained by the City. All System Revenues are deposited in the Sewer Fund. See “SEWER SYSTEM.”

## **City of Turlock**

The City is a California general law municipal Authority situated in California’s Central Valley approximately 107 miles east of San Francisco. The population of the City is approximately 70,000. See APPENDIX B — “CERTAIN INFORMATION REGARDING THE CITY OF TURLOCK.” The City employs approximately 327 full-time employees.

## **The Authority**

The Authority is a joint powers authority created by the City and its former Redevelopment Agency to assist the City in financing public capital improvements. The Authority has no taxing power. See “THE AUTHORITY.”

## **Investment Considerations**

See “INVESTMENT CONSIDERATIONS” for a description of certain risk factors relating to the Series 2012 Bonds.

## **Continuing Disclosure and Additional Information**

See “CONTINUING DISCLOSURE” and APPENDIX E — “FORM OF CONTINUING DISCLOSURE AGREEMENT” regarding the City’s obligation to provide annual financial and operating information and information regarding the occurrence of certain events. Copies of the Indenture, the Installment Purchase Agreement, the Continuing Disclosure Agreement, the City’s audited financial statements (which include the Sewer Fund) and additional information relating to the City and the Series 2012 Bonds may be obtained from the City of Turlock, Administrative Services, 156 South Broadway, Suite 230, Turlock, California 95380.

## **THE SERIES 2012 BONDS**

### **General Terms**

The Series 2012 Bonds will be issued in the aggregate principal amount and will mature in the principal amounts in each year (subject to prior redemption) set forth on the cover and inside cover of this Official Statement. The Series 2012 Bonds may be purchased in book-entry form only in denominations of \$5,000 or any integral multiple thereof. The Depository Trust Company, New York, New York (“DTC”) will act as securities depository for the Series 2012 Bonds. The Series 2012 Bonds are being issued in fully registered form, registered in the name of Cede & Co., as nominee of DTC. Purchasers will not receive certificates representing their interests in the Series 2012 Bonds purchased. See “APPENDIX F – BOOK-ENTRY ONLY SYSTEM” herein.

The Series 2012 Bonds will be dated the date of their original delivery and interest thereon will accrue from such date. Interest on the Series 2012 Bonds is payable on March 15 and September 15 of each year, commencing September 15, 2012. Interest on the Series 2012 Bonds shall be payable in lawful

money of the United States of America and shall be calculated on the basis of a 360-day year consisting of twelve 30-day months.

So long as DTC or its nominee acts as securities depository for the Series 2012 Bonds, reference herein to Owners or registered owners shall mean Cede & Co., and any notices to Owners with respect to, and all payments of principal of and interest on, the Series 2012 Bonds will be made directly to DTC as registered owner. Disbursement of such notices and payments to DTC Participants is the responsibility of DTC and disbursement of such notices and payments to the Beneficial Owners is the responsibility of DTC Participants. So long as DTC or its nominee acts as securities depository, transfers of ownership interests in the Series 2012 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. See "APPENDIX F – BOOK-ENTRY ONLY SYSTEM."

## **Redemption**

*Optional Redemption.* The Series 2012 Bonds maturing on or after September 15, 20\_\_ are subject to redemption, at the option of the Authority, on or after September 15, 20\_\_, in whole or in part on any date (among maturities as specified by the Authority and by lot within any maturity), at a redemption price equal to the principal amount thereof so called for redemption, without premium, plus accrued interest to the date fixed for redemption.

*Mandatory Sinking Fund Redemption.* The Series 2012 Bonds maturing on September 15, \_\_\_\_ (the "Term Bonds") are subject to mandatory redemption from sinking installment payments, by lot, in the years and in the principal amounts set forth below plus accrued interest to the redemption date and without premium:

Year (September 15)	<u>Sinking Installment Payment</u>
------------------------	------------------------------------

*Credit Against Mandatory Sinking Fund Requirement.* At the option of the Authority, it may credit against any mandatory sinking fund requirement Series 2012 Bonds which are Term Bonds or portions thereof which are of the same maturity as such Term Bonds subject to mandatory redemption and which, prior to said date, have been purchased, with funds other than moneys in a Sinking Account as hereinafter defined, at public or private sale or redeemed and cancelled by the Authority and not theretofore applied as a credit against any mandatory sinking fund requirement. The Authority and the City may also elect to have moneys in a Sinking Account applied to the purchase of Series 2012 Bonds which are Term Bonds which in turn shall be credited against the applicable mandatory sinking fund redemption requirement all as provided in the Indenture.

*Notice of Redemption.* Notice of redemption shall be given by the Trustee, not less than 20 nor more than 60 days prior to the redemption date to (i) the respective Owners of the Series 2012 Bonds designated for redemption at their addresses appearing on the registration books of the Trustee by first class mail and (ii) the Securities Depositories by certified or registered mail or overnight delivery. Each notice of redemption shall state the date of such notice, the redemption date, the redemption price, if any,

(including the name and appropriate address of the Trustee), the CUSIP number (if any) of the maturity or maturities, and, in the case of Series 2012 Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each notice of optional redemption shall also state that the proposed redemption of Series 2012 Bonds is conditioned on there being on deposit with the Trustee or another fiduciary selected by the Authority and the City on the redemption date sufficient amounts to pay the full redemption price of the Series 2012 Bonds to be redeemed and that on said date there will become due and payable on each of said Series 2012 Bonds thereof and in the case of a Series 2012 Bond to be redeemed in part only, the specified portion of the principal amount thereof to be redeemed, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Series 2012 Bonds be then surrendered at the address of the Trustee specified in the redemption notice. Any notice of optional redemption may be rescinded upon a Written Request of the Authority to the Trustee no later than five (5) days prior to the date specified for redemption. The Trustee shall give notice of such rescission as soon thereafter as practicable in the same manner, and to the same persons, as the notice of optional redemption was given.

If notice of redemption has been duly given as aforesaid and money for the payment of the redemption price of the Series 2012 Bonds called for redemption is held by the Trustee, then on the redemption date designated in such notice the Series 2012 Bonds so called for redemption shall become due and payable, and from and after the date so designated interest on the Series 2012 Bonds so called for redemption shall cease to accrue, and the Owners of such Series 2012 Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof.

Failure by the Trustee to give notice pursuant to the Indenture to any one or more of the Securities Depositories, or the insufficiency of any such notice shall not affect the sufficiency of the proceedings for redemption. Failure by the Trustee to mail notice of redemption pursuant to the Indenture to any one or more of the respective Owners of any Series 2012 Bonds designated for redemption shall not affect the sufficiency of the proceedings for redemption with respect to the Owners to whom such notice was mailed.

## **PLAN OF REFUNDING**

### **Purpose of Financing**

A portion of the proceeds of the Series 2012 Bonds will be used to refund the Refunded Bonds.

The Authority will apply a portion of the proceeds of the sale of the Series 2012 Bonds, together with other available moneys, to establish two separate irrevocable escrow funds to defease the Refunded Bonds, as described below. The Refunded Bonds consist of the Authority's Sewer Revenue Bonds, Series 1999 (the "Series 1999 Bonds") and the Authority's Sewer Revenue Bonds, Series 2003A (the "Series 2003 Bonds"), as set forth below:

**TURLOCK PUBLIC FINANCING AUTHORITY  
SEWER REVENUE BONDS, SERIES 1999**

<u>Maturity Date</u> <u>(September 15)</u>	<u>Par Amount</u>	<u>Interest Rate</u>	<u>Payment or Redemption Date*</u>	<u>Redemption Price</u>	<u>CUSIP No. †</u>
2012	\$660,000	5.000%	September 15, 2012	NA	900207AN1
2013	700,000	5.100	September 21, 2012	100.000	900207AP6
2014	735,000	5.125	September 21, 2012	100.000	900207AQ4
2015	775,000	5.250	September 21, 2012	100.000	900207AR2
2016	820,000	5.250	September 21, 2012	100.000	900207AS0
2017	860,000	5.300	September 21, 2012	100.000	900207AT8
2018	905,000	5.375	September 21, 2012	100.000	900207AU5
2019	955,000	5.400	September 21, 2012	100.000	900207AV3
2020	1,010,000	5.500	September 21, 2012	100.000	900207AW1
2021	1,065,000	5.500	September 21, 2012	100.000	900207AX9
2022	1,130,000	5.500	September 21, 2012	100.000	900207AY7
2029	<u>6,855,000</u>	5.500	September 21, 2012	100.000	900207BF7
	\$16,470,000				

\* Preliminary; subject to change.

**TURLOCK PUBLIC FINANCING AUTHORITY  
SEWER REVENUE BONDS, SERIES 2003A**

<u>Maturity Date</u> <u>(September 15)</u>	<u>Par Amount</u>	<u>Interest Rate</u>	<u>Redemption Date</u>	<u>Redemption Price</u>	<u>CUSIP No. †</u>
2012	\$1,150,000	4.000%			900207BQ3
2013	1,200,000	5.000%			900207BR1
2014	1,260,000	4.100%	September 15, 2013	100.000	900207BS9
2015	1,310,000	4.250%	September 15, 2013	100.000	900207BT7
2016	1,370,000	4.300%	September 15, 2013	100.000	900207BU4
2017	1,430,000	4.400%	September 15, 2013	100.000	900207BV2
2018	1,495,000	4.500%	September 15, 2013	100.000	900207BW0
2019	1,565,000	5.000%	September 15, 2013	100.000	900207BX8
2020	1,650,000	5.000%	September 15, 2013	100.000	900207BY6
2021	1,730,000	5.000%	September 15, 2013	100.000	900207BZ3
2022	1,820,000	5.000%	September 15, 2013	100.000	900207CA7
2023	1,915,000	5.000%	September 15, 2013	100.000	900207CB5
2024	2,010,000	5.000%	September 15, 2013	100.000	900207CC3
2026	4,340,000	5.000%	September 15, 2013	100.000	900207CD1
2028	4,800,000	5.000%	September 15, 2013	100.000	900207CE9
2033	<u>14,310,000</u>	5.000%	September 15, 2013	100.000	900207CF6
	\$43,355,000				

Upon the issuance and delivery of the Series 2012 Bonds, a portion of the proceeds of the Series 2012 Bonds, in an amount which, together with other available moneys, will be sufficient to pay principal of and interest on the Refunded Bonds to their respective redemption dates to pay the applicable redemption price of, plus accrued interest on, the Refunded Bonds on their respective redemption dates shall be deposited in two separate escrow funds held by the Trustee as Escrow Agent for the Refunded Bonds (the "Escrow Agent") under respective Escrow Agreements, each dated as of September 1, 2012 (the "Escrow Agreements"). Pursuant to the Escrow Agreements, the Escrow Agent will apply the amount on deposit in each escrow fund to the payment of principal of and interest on the related series of

† CUSIP numbers are provided for reference only. The Authority, the City, the Financial Advisor and the Underwriter do not assume any responsibility for the accuracy of such numbers.

Refunded Bonds to the respective redemption date at to the redemption of the related series of Refunded Bonds on the respective redemption date plus accrued interest thereon to such redemption date at the redemption price specified above.

For information on mathematical verification of the funds held by the Escrow Agent to make such payments, see “VERIFICATION OF MATHEMATICAL COMPUTATIONS” herein. Upon such irrevocable deposit with the Escrow Agent, the Refunded Bonds will be defeased and will no longer be entitled to the pledge of and charge and lien upon the revenues pursuant to the legal documents pursuant to which the Refunded Bonds were issued. Amounts held by the Escrow Agent pursuant to the Escrow Agreements, will not be available for payment of debt service on the Series 2012 Bonds.

**Application of Proceeds**

The proceeds of the Series 2012 Bonds and available amounts with respect to the Refunded Bonds are expected to be applied as follows:

<u>Sources of Funds</u>		
Principal Amount		\$
Net Original Issue Discount		
Available Amounts with respect to Series 1999 Bonds		
Available Amounts with respect to Series 2003 Bonds		
Total Available Funds		\$
 <u>Uses of Funds</u>		
Deposit to Series 1999 Bonds Escrow		
Deposit to Series 2003 Bonds Escrow		
Cost of Issuance <sup>(1)</sup>		
Total Amount Applied		\$

(1) Includes legal fees, financial advisor fees, rating agency fees, printing costs, underwriter’s discount and other required expenses.

**SECURITY FOR THE SERIES 2012 BONDS**

The Series 2012 Bonds are limited obligations of the Authority payable solely from, and secured by a pledge of, Authority Revenues and amounts on deposit in the funds and accounts established under the Indenture, other than the Rebate Fund. “Authority Revenues” include the 2012 Installment Payments (and any other Installment Payments which may be pledged pursuant to the Indenture in connection with Parity Bonds) and the interest or profits from the investment of money in any such fund or account (other than the Rebate Fund) established pursuant to the Indenture. Under the Installment Purchase Agreement, the 2012 Installment Payments are to be made by the City in an amount equal to the principal of and interest on the Series 2012 Bonds. The Installment Payments to be made by the City pursuant to the Installment Purchase Agreement, including the 2012 Installment Payments (collectively the “Installment Payments”) are payable solely from, and secured by a pledge of, Net System Revenues of the City’s Sewer System.

“Net System Revenues” means, for any Fiscal Year, System Revenues for such Fiscal Year less Maintenance and Operation Costs of the Sewer System for such Fiscal Year. “System Revenues” is defined in the Installment Purchase Agreement as all income, rents, rates, fees, charges and other moneys derived from the ownership or operation of the Sewer System determined in accordance with generally

accepted accounting principles, including, without limiting the generality of the foregoing, (i) all income, rents, rates, fees, charges (including standby, capacity and connection charges), or other moneys derived by the City from the Sewer services, facilities, and commodities or byproducts sold, furnished or supplied through the facilities of or in the conduct or operation of the business of the Sewer System, excluding revenues derived from the sale of recycled water, but including, without limitation, all earnings and income derived from the investment of all such money and derived from the investment of all money in the Sewer Fund and investment earnings on the operating reserves to the extent that the use of such earnings is limited to the Sewer System by or pursuant to law and earnings on any Reserve Fund for Obligations but only to the extent that such earnings may be utilized under the Issuing Instrument for the payment of such Obligations; (ii) the proceeds derived by the City directly or indirectly from the lease of a part of the Sewer System; (iii) any amount received from the levy or collection of taxes which are solely available and are earmarked for the support of the operation of the Sewer System; (iv) such other income, charges, revenues or moneys as the City may specify in a Certificate of the City filed with each Trustee, including without limitation revenues so specified by the City which are derived from the sale of recycled water (notwithstanding the exclusion thereof under clause (i) of this definition), provided that such Certificate of the City confirms that, following the filing of such Certificate of the City (A) the requirements of the rate covenant shall be satisfied for the most recently completed Fiscal Year for which audited financial statements are available and (B) the income, charges, revenues or moneys specified in such Certificate of the City shall be accounted for separately from the System Revenues; (v) all proceeds of insurance covering business interruption loss relating to the Sewer System; and (vi) any Subsidy Payments. Notwithstanding the foregoing, System Revenues shall not include: (a) in all cases, customers' deposits or any other deposits or advances subject to refund until such deposits or advances have become the property of the City; and (b) the proceeds of borrowings. Notwithstanding the foregoing, there shall be deducted from System Revenues any amounts transferred into a Rate Stabilization Fund, and there shall be added to System Revenues any amounts transferred out of such Rate Stabilization Fund to pay Maintenance and Operation Costs of the Sewer System. See "Rate Stabilization Fund" below. For a more detailed description of System Revenues, see APPENDIX C — "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS."

"Maintenance and Operations Costs of the Sewer System" is defined in the Installment Purchase Agreement as the reasonable and necessary costs spent or incurred by the City for maintaining and operating the Sewer System, calculated in accordance with generally accepted accounting principles, including (among other things) the reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Sewer System in good repair and working order, and including administrative costs of the City attributable to the Project and the Installment Purchase Agreement, salaries and wages of employees, payments to employees retirement systems (to the extent paid from System Revenues), overhead, taxes (if any), fees of auditors, accountants, attorneys or engineers and insurance premiums, and including all other reasonable and necessary costs of the City or charges required to be paid by it to comply with the terms of the Obligations, including this Installment Purchase Agreement, including any amounts required to be deposited in the Rebate Fund pursuant to the Tax Certificate, and fees or expenses payable to any Credit Provider (other than in repayment of a Credit Provider Reimbursement Obligation), but excluding in all cases (i) depreciation, replacement and obsolescence charges or reserves therefor, (ii) amortization of intangibles or other bookkeeping entries of a similar nature, (iii) costs of capital additions, replacements, betterments, extensions or improvements to the Sewer System which under generally accepted accounting principles are chargeable to a capital account or to a reserve for depreciation, (iv) charges for the payment of principal and interest on any general obligation bond heretofore or hereafter issued for Sewer System purposes, and (v) charges for the payment of principal and interest on any debt service on account of any obligation on a parity with or subordinate to the Installment Payments. For a more detailed description of Maintenance and Operations Costs of the Sewer System, see APPENDIX C — "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS."

THE SERIES 2012 BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY FROM THE AUTHORITY REVENUES. THE SERIES 2012 BONDS DO NOT CONSTITUTE A DEBT OR LIABILITY OF THE CITY OR THE STATE OF CALIFORNIA AND NEITHER THE FAITH AND CREDIT OF THE CITY NOR OF THE STATE OF CALIFORNIA ARE PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE SERIES 2012 BONDS. THE OBLIGATION OF THE CITY TO MAKE INSTALLMENT PAYMENTS DOES NOT CONSTITUTE AN OBLIGATION OF THE CITY FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE PLEDGE OF AUTHORITY REVENUE MADE BY THE AUTHORITY, NOR THE OBLIGATION OF THE CITY TO MAKE INSTALLMENT PAYMENTS, CREATES A LEGAL OR EQUITABLE PLEDGE, CHARGE, LIEN OR ENCUMBRANCE UPON ANY OF THE CITY'S PROPERTY, OR UPON ITS INCOME, RECEIPTS OR REVENUES OTHER THAN NET SYSTEM REVENUES. THE AUTHORITY HAS NO TAXING POWER.

Pursuant to the Indenture, the Authority may issue Parity Bonds from time to time upon satisfaction of certain specified requirements, including that the City execute a Supplement to the Master Installment Purchase Agreement which shall provide for Installment Payments thereunder sufficient to pay principal of and interest on such Parity Bonds in accordance with the Supplemental Indenture authorizing the issuance of such Parity Bonds. See APPENDIX C —“SUMMARY OF PRINCIPAL LEGAL DOCUMENTS —Indenture — Conditions for the Issuance of Additional Bonds.” In addition the Authority may issue additional bonds for the benefit of the City under separate indentures. See APPENDIX C — “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS —The Master Installment Purchase Agreement — hereto.”

#### **Sewer Fund; Allocation of System Revenues**

The City accounts for its Sewer operations through an enterprise fund known as the Sewer Fund established pursuant to the Installment Purchase Agreement. All System Revenues are deposited in the Sewer Fund. All moneys in the Sewer Fund shall be used to pay (i) all Maintenance and Operation Costs of the Sewer System, (ii) all Parity Obligations (other than Qualified Take or Pay Obligations, Qualified Swap Agreements or Credit Provider Reimbursement Obligations), including Installment Payments equal to the principal and interest on the Series 2012 Bonds and any other Outstanding Parity Bonds, (iii) any Qualified Take or Pay Obligation, (iv) any Qualified Swap Agreement, and (v) any Credit Provider Reimbursement Obligations. In the event there are insufficient Net System Revenues to make all of the payments contemplated by clauses (ii), (iii), (iv) and (v) of the immediately preceding sentence due on a given date, then said payments will be made as nearly as practicable, pro rata, based on the respective unpaid amounts of said Parity Obligations. After such payments have been made, any remaining System Revenues shall be used to make up any deficiency in the Reserve Funds or Reserve Accounts for any Parity Obligations and, subject to certain conditions, then may be used to pay for capital expenditures for the Sewer System or any other Sewer System purpose, including the payment of Subordinated Obligations, if any, provided certain conditions are met.

#### **Obligation of City Under Installment Purchase Agreement**

The obligation of the City to make Installment Payments solely from Net System Revenues is absolute and unconditional, and until such time as the Purchase Price has been paid in full (or provision for the payment thereof has been made pursuant to the Installment Purchase Agreement) the City will not discontinue or suspend any Installment Payments required to be made by it under the Installment Purchase Agreement whether or not the Project or any part thereof is operating or operable or has been completed, or its use is suspended, interfered with, reduced, curtailed or terminated in whole or in part, and such Installment Payments will not be subject to reduction whether by offset or otherwise and will

not be conditioned upon the performance or non-performance by any party of any agreement for any cause whatsoever.

### **Rate Covenant**

The City has covenanted in the Installment Purchase Agreement to fix, prescribe and collect rates and charges for the Sewer Service which will be at least sufficient (i) to pay all Obligations (other than Parity Obligations) and (ii) to yield during each Fiscal Year Net System Revenues equal to 120% of the Debt Service for such Fiscal Year. The covenant of the City in the Installment Purchase Agreement described in the preceding sentence is referred to herein as the "Rate Covenant." The City may make adjustments from time to time in such rates and charges and may make such classification thereof as it deems necessary, but shall not reduce the rates and charges then in effect unless the Net System Revenues from such reduced rates and charges will at all times be sufficient to meet the requirements of the Rate Covenant.

For a description of possible limitations on the City's ability to comply with the rate covenant, see "INVESTMENT CONSIDERATIONS - Impact of Proposition 218 on Sewer Service Rates and Charges."

### **Rate Stabilization Fund**

The Installment Purchase Agreement provides that the City may establish a Rate Stabilization Fund within the Sewer Fund. From time to time, the City may deposit into the Rate Stabilization Fund, from current System Revenues, such amounts as the City shall determine and the amount of available current System Revenues shall be reduced by the amount so transferred. From time to time, the City may transfer amounts on deposit in the Rate Stabilization Fund to the Sewer Fund solely and exclusively to pay Maintenance and Operation Costs of the Sewer System, and any amounts so transferred shall be deemed System Revenues when so transferred. Deposits to and transfers from the Rate Stabilization Fund for each Fiscal Year shall be made within one year after the end of such Fiscal Year. All interest or other earnings upon amounts in the Rate Stabilization Fund may be withdrawn therefrom and accounted for as System Revenues.

See the Historical and Projected Operating Results in Table 7 herein for historical and projected balances available in the Rate Stabilization Fund.

### **Pledge Under the Indenture**

Pursuant to the Indenture, the Authority has irrevocably pledged all Authority Revenues and amounts on deposit in the funds and accounts established under the Indenture (other than amounts on deposit in the Rebate Fund) to the payment of principal of and interest on the Series 2012 Bonds and any Parity Bonds. In order to secure the pledge of the 2012 Installment Payments which constitute Authority Revenues under the Indenture, the Authority has transferred, conveyed and assigned to the Trustee, for the benefit of the Owners, all of the Authority's rights under the 2012 Supplement (excluding its right to indemnification thereunder), including the right to receive 2012 Installment Payments from the City and the right to exercise any remedies provided therein in the event of a default by the City thereunder.

The Trustee will establish and maintain a special trust fund to be held by the Trustee called the Payment Fund. Within the Payment Fund, the Trustee will establish and maintain the Interest Account, the Principal Account and the Redemption Account, and within the Principal Account, separate Sinking Accounts for the Series 2012 Bonds and any Parity Bonds, as necessary. Under the Installment Purchase Agreement, the City will pay the 2012 Installment Payments out of the Sewer Fund to the Trustee for deposit into the Payment Fund so that the principal and interest due on the Series 2012 Bonds will be paid

no later than the due date. Subject to the provisions of the Indenture, all money in the Payment Fund will be deposited by the Trustee in the following respective special accounts within the Payment Fund in the following order of priority: (i) Interest Account, (ii) Principal Account, and (iii) Redemption Account. See APPENDIX C — “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS.”

### **Additional Parity Obligations**

The City may issue additional Parity Obligations under the Installment Purchase Agreement in the future secured by the pledge of Net System Revenues and payable on a parity with the 2012 Installment Payments, but only on the terms set forth in the Installment Purchase Agreement and described under this caption.

The City may not create any Obligations the payments of which are senior or prior in right to the payment by the City of Parity Obligations. The City may at any time and from time to time issue or create any other Parity Obligations, so long as no Event of Default under the Installment Purchase Agreement or any Issuing Instrument has occurred and is continuing and no Event of Default or Termination Event (as such terms are defined in any Qualified Swap Agreement) under any Qualified Swap Agreement has occurred and is continuing, and provided the City obtains or provides a certificate or certificates, prepared by the City or at the City’s option by a Consultant, showing that either:

(A) the Net System Revenues for either the most recent Fiscal Year for which audited financial statements are available or any 12 consecutive calendar month period during the 18 consecutive calendar month period ending immediately prior to the incurring of such additional Parity Obligations were at least sufficient to satisfy the Rate Covenant for each of the next five full Fiscal Years following the incurring of such additional Parity Obligations or each of the next three full Fiscal Years following the incurring of such additional Parity Obligations during which no interest is capitalized, whichever is later, including the Debt Service during such Fiscal Years on such additional Parity Obligations; and for the purpose of providing such certificate or certificates, the City or the City’s Consultant, as applicable, may adjust the Net System Revenues for such Fiscal Year or 12 calendar month period, as the case may be, to reflect:

(i) an allowance for Net System Revenues that would have been derived from each new connection to the Sewer System that was made prior to the incurrence of such additional Parity Obligations but which was not in existence, during all or any part of such Fiscal Year or 12 calendar month period under consideration, in an amount equal to ninety-five per cent (95%) of the estimated additional Net System Revenues that would have been derived from each such connection if it had been made prior to the beginning of such Fiscal Year or twelve 12 calendar month period, and

(ii) an allowance for Net System Revenues that would have been derived from any increase in the rates, fees and charges fixed and prescribed for Sewer Service which became effective prior to the incurrence of such additional Parity Obligations but which was not in effect, during all or any part of such Fiscal Year or 12 calendar month period, in an amount equal to ninety-five per cent (95%) of the estimated additional Net System Revenues that would have been derived from such increase in rates, fees and charges if it had been in effect prior to the beginning of such Fiscal Year or twelve (12) calendar month period; or

(B) the estimated Net System Revenues for each of the five full Fiscal Years next following the earlier of (i) the end of the period during which interest on such additional Parity Obligations is to be capitalized or, if no interest is capitalized, the Fiscal Year in which such additional Parity Obligations are incurred, or (ii) the date on which substantially all Components

financed with such additional Parity Obligations plus all Components financed with all existing Parity Obligations are expected to commence operations, will be at least sufficient to satisfy the Rate Covenant for such period; and for the purpose of providing such certificate or certificates, the City or the City's Consultant, as applicable, may adjust the foregoing estimated Net System Revenues to reflect:

(i) an allowance for Net System Revenues that are estimated to be derived from any increase in the rates, fees and charges for Sewer Service which have been adopted by the City and which will be in effect during all or any portion of the period for which such estimates are provided; and

(ii) an allowance for Net System Revenues that are estimated to be derived from new customers of the Sewer System anticipated to be served by any additions or improvements to or extensions of the Sewer System reasonably expected to become available during such five year period in an amount equal to ninety-five percent (95%) of the additional Net System Revenues that are estimated to be derived from such customers.

For purposes of clause (B) above, with respect to Maintenance and Operation Costs of the Sewer System, the City or the City's Consultant, as applicable, shall use such assumptions (which shall be set forth in such certificate or certificates) as such believes to be reasonable, taking into account: (i) historical Maintenance and Operation Costs of the Sewer System, (ii) Maintenance and Operation Costs of the Sewer System associated with the additions or improvements to or extensions of the Sewer System to be financed with the proceeds of such additional Parity Obligations and any other new additions or improvements to or extensions of the Sewer System during such five year period and (iii) such other factors, including inflation and changing operations or policies of the City, as the City or the City's Consultant, as applicable, believes to be appropriate.

The certificate or certificates described above will not be required if, among other things, the Parity Obligations being issued are for the purpose of refunding: (a) then Outstanding Parity Obligations if at the time of the issuance of such refunding Parity Obligations a certificate of an Authorized City Representative is delivered showing that Debt Service in each Fiscal Year on all Parity Obligations Outstanding after the issuance of the refunding Parity Obligations will not exceed the Debt Service in each corresponding Fiscal Year on all Parity Obligations Outstanding prior to the issuance of such refunding Parity Obligations; or (b) then Outstanding Balloon Indebtedness, Tender Indebtedness or Variable Rate Indebtedness, but only to the extent that the principal amount of such indebtedness has been put, tendered to or otherwise purchased by a standby purchase or other liquidity facility relating to such indebtedness.

In addition, delivery of the certificate or certificates described above is not required in connection with the City entering into or creating an obligation or commitment which is a Credit Provider Reimbursement Obligation or a Qualified Swap Agreement provided the Obligation to which the Credit Provider Reimbursement Obligation or Qualified Swap Agreement relates is a Parity Obligation.

Parity Obligations will be of equal rank without preference, priority or distinction of any Parity Obligations over any other Parity Obligations. The lien and pledge on Net System Revenues securing parity Obligations shall constitute a first lien and pledge on Net System Revenues; provided, however, that out of Net System Revenues there may be apportioned such sums for such purposes as are expressly permitted by the Installment Purchase Agreement. See "SECURITY FOR THE SERIES 2012 BONDS."

### **Existing Parity Obligations**

In order to finance a portion of the cost of certain capital improvements, in 2011 the City entered into two Project Finance Agreements with the State Water Resources Control Board State Revolving Fund (the “SRF Loans”) in the aggregate available principal amount of \$44 million. The SRF Loans constitute Parity Obligations under the Installment Purchase Agreement. The SRF Loans allow the City to draw down funds as needed to pay costs of the improvements. Debt service with respect to each of the the SRF Loans is payable annually, in equal installments, commencing one year after completion of the construction of the respective capital improvements. The amount payable annually with respect to each SRF Loan will be based on the total respective amounts drawn down, accrued interest, and completion dates of the specific capital improvements financed. Payment in full on the SRF Loans must be made by 2034. See Table 1 – Debt Service Requirements for currently estimated payments. The SRF Loans provide that all payments thereunder may be immediately due and payable in the event of material breach by the City (and failure to cure). See “INVESTMENT CONSIDERATIONS – Potential Acceleration of SRF Loans.”

### **Subordinated Obligations**

The City may issue or incur Subordinated Obligations secured by Net System Revenues on a basis subordinate to the payment by the City of the 2012 Installment Payments and Parity Obligations so long as no Event of Default has occurred and is continuing under the Installment Purchase Agreement or any Issuing Instrument and no Event of Default or Termination Event (as such terms are defined in any Qualified Swap Agreement) under any Qualified Swap Agreement has occurred and is continuing.

## Debt Service Requirements

The following table shows the total debt service requirements from Net System Revenues with respect to the Series 2012 Bonds and other outstanding Parity Obligations.

**TABLE 1  
DEBT SERVICE REQUIREMENTS**

<b>Fiscal Year Ended June 30</b>	<b>SRF Loans Principal*</b>	<b>SRF Loans Interest*</b>	<b>Series 2012 Principal</b>	<b>Series 2012 Interest</b>	<b>Total</b>
2012					
2009					
2010					
2011					
2012					
2013					
2014					
2015	\$ 580,391	\$ 2,240,333			
2016	1,865,493	955,231			
2017	1,906,534	914,191			
2018	1,948,478	872,247			
2019	1,991,344	829,380			
2020	2,035,154	785,571			
2021	2,079,927	740,797			
2022	2,125,686	695,039			
2023	2,172,451	648,274			
2024	2,220,245	600,480			
2025	2,269,090	551,635			
2026	2,319,010	501,715			
2027	2,370,028	450,696			
2028	2,422,169	398,556			
2029	2,475,457	345,268			
2030	2,529,917	290,808			
2031	2,585,575	235,150			
2032	2,642,457	178,267			
2033	2,700,591	120,133			
2034	2,760,004	60,720			
2035					
2036					
2037					
2038					

\*Projected, based on the City's currently expected drawdown schedule. Actual amounts will differ depending on the actual amounts and timing of drawdowns.

### THE AUTHORITY

The Authority is a California joint exercise of powers entity established pursuant to a Joint Exercise of Powers Agreement, dated December 15, 1998, between the City and the former Turlock Redevelopment Agency. The Authority was formed to assist the City in financing public capital improvements. The members of the Turlock City Council serve, ex officio, as the members of the Board of Directors of the Authority. The Authority has no taxing power.

## SEWER SYSTEM

### Service Area

The City's Sewer System provides sewage collection, treatment and disposal facilities (the "Sewer System") for the City, as well as the community service districts of Keyes and Denair. Furthermore, the Turlock Regional Water Quality Control Facility ("Regional Water Quality Control Facility") processes one (1) million gallons per day of partially treated wastewater from the City of Ceres. Overall, the City's Sewer System serves a population equivalent of approximately 90,000 people. A map of the service area is provided at the beginning of this Official Statement.

### Operations and Staff

The Sewer System is operated by the City on a self-supporting basis under the authority of the City Council. Day to day operations are managed by the Director of the City's Municipal Services Department (the "Department"). The Department has 59 City employees assigned to it and is comprised of three divisions, each of which provides support of the Sewer System. The Water Quality Control Division has 16 employees and is responsible for operating the Regional Water Quality Control Facility which provides primary, secondary and tertiary treatment of sanitary wastewater, as well as the treatment and removal of solids. The wastewater treatment processes are designed to ensure compliance with the water quality standards established by the State Water Resources Control Board and the U.S. Environmental Protection Agency, including the operation of an industrial pretreatment program. Additionally, the Water Quality Control Division is responsible for wastewater and storm water environmental compliance. The Utilities Division has 35 employees and its main function is to provide a safe and reliable drinking water supply and a reliable water supply for fire suppression. In conjunction with these services, the Utilities Division also provides for electrical mechanical maintenance and the operation and maintenance of the City's sanitary sewer and storm water infrastructure, street lighting and traffic signal systems. The Regulatory Affairs Division has 8 employees with a focus on regulatory compliance issues mandated by local, state and federal agencies. Areas of responsibility include, but are not limited to employee health and safety, potable water supply, wastewater treatment and disposal, storm water requirements, solid waste and recycling, air quality, and toxic substances. Administrative services for the management of personnel, the routing and handling of public inquiries/complaints as well as oversight of the overall day to day management of the Department are also primary responsibilities of this division. Furthermore, this division is responsible for the procurement of supplies and services for all City departments, including management of open purchase orders, contract services and competitive bidding for supplies and services.

Employees of the Sewer System are represented by either the Turlock City Employees Association or the Turlock Management Employees bargaining unit. The Memorandum of Understanding and the Schedule of Benefits for the respective employee groups expire on October 31, 2012. [Contract negotiations are currently being held.]

The Regional Water Quality Control Facility is located on 152 acres in southwest Turlock and has a total capacity of 20 million gallons per day. The average daily flow at the Regional Water Quality Control Facility is currently 11.1 million gallons per day ("mgd"). The facilities of the Sewer System have a peak dry weather flow of 18.3 million gallons per day. A significant upgrade of the Regional Water Quality Control Facility was completed in 2006. The Regional Water Quality Control Facility provides tertiary treatment of wastewater that complies with all of the requirements of Title 22 of the California Water Code for unrestricted reuse.

Processes at the Regional Water Quality Control Facility include influent screening, dissolved air flotation primary treatment, activated biofiltration towers, complete-mix activated sludge aeration basins,

nitrification, secondary clarification, high-rate clarifier/thickeners, cloth-disk tertiary filters, chlorine disinfection, and sodium bisulfate dechlorination. Effluent from the Regional Water Quality Control Facility is currently discharged to the Harding Drain, which is a constructed agricultural irrigation drain owned and operated by the Turlock Irrigation District (“TID”) that discharges to the San Joaquin River. However, the City is currently implementing a project to move the discharge point directly to the San Joaquin River by installing a new effluent pipeline running from the Harding Drain discharge point to the San Joaquin River. The City also supplies approximately 2 mgd of recycled water to TID’s Walnut Energy Center for industrial cooling purposes and .3 MGD to Pedretti Park Sports Complex for irrigation purposes.

The City’s sewer collection system includes 220 miles of pipeline ranging in size from 4-inches to 48-inches. The City also operates and maintains 20 sewer lift (“pump”) stations.

**Revenues by Customer Type and Largest Users**

The following table sets forth historical revenues of the City from operation of the Sewer System by customer type. The majority of revenues from operations come from residential and commercial accounts. The largest users of the Sewer System, with the exception of the Denair and Keyes Community Services Districts as well as the City of Ceres, tend to fall in the Industrial category.

**TABLE 2  
CITY OF TURLOCK  
User-Revenue By User Type<sup>(1)</sup>  
Fiscal Years Ending June 30**

	<u>FY</u> <u>2008-09</u>	<u>FY</u> <u>2009-10</u>	<u>FY</u> <u>2010-11</u>	<u>Projected</u> <u>FY</u> <u>2011-12</u>
Denair/Keyes <sup>(2)</sup>	\$ 570,404	\$ 596,073	\$ 636,165	\$ 659,925
% of Annual Revenues	3.70%	3.50%	3.64%	4.03%
City of Ceres		\$824,664	\$856,340	\$881,550
% of Annual Revenues		4.85%	4.90%	5.39%
Residential	\$10,551,290	\$11,024,204	\$11,612,333	\$11,953,150
% of Annual Revenues	68.35%	64.17%	66.43%	73.16%
Commercial	\$1,441,112	\$1,531,825	\$1,495,345	\$1,515,100
% of Annual Revenues	9.33%	9.00%	8.55%	9.27%
Industrial	\$2,872,681	\$3,043,008	\$2,877,916	\$2,843,300
% of Annual Revenues	18.61%	17.88	16.47	17.4%
<b>TOTALS</b>	<b>\$ 15,435,487</b>	<b>\$ 17,019,774</b>	<b>\$ 17,478,099</b>	<b>\$ 17,853,025</b>
<b>PERCENT</b>	<b><u>100.00%</u></b>	<b><u>100.00%</u></b>	<b><u>100.00%</u></b>	<b><u>100.00%</u></b>

Source: City of Turlock

(1) Includes only base sewer service revenues.

(2) Users in the unincorporated communities of Denair and Keyes are primarily residential.

The five largest customers of the Sewer System for fiscal year ended June 30, 2012 are set forth below.

**TABLE 3  
CITY OF TURLOCK  
Five Largest Sewer Customers**

<u>Customer</u>	<u>Projected FYE 2011-12 Sewer Charges</u>
Foster Farms Plant #1	\$979,000
City of Ceres	880,000
California Dairies, Inc.	808,000
Super Store Industries	369,000
Keyes Community Services District	330,000
 Total	 <u>\$3,366,000.00</u>

*Source: City of Turlock*

Like many other cities throughout the State and country, economic conditions since 2008 have adversely effected employment rates and property values in the City. Foreclosures have increased significantly, and the assessed valuation of property within the City has declined by approximately 19% since Fiscal Year 2007-08. However, this has not resulted in corresponding declines in the total sewer accounts in the Sewer System. The total number of sewer accounts served by the Sewer System for the five most recent fiscal years is shown below.

**TABLE 4  
CITY OF TURLOCK  
Total Sewer Accounts**

<u>Year</u>	<u>Total</u>	<u>% Increase (year over year)</u>
2008	17,687	0.24%
2009	17,801	0.64%
2010	17,807	0.03%
2011	17,930	0.69%
2012	17,974	0.25%

*Source: City of Turlock*

The City's Sewer Service charges as of January 1, 2012, based on type of user, are shown below.

**TABLE 5  
CITY OF TURLOCK  
Monthly Sewer Rates and Charges**

<u>Customer Class</u>	<u>Monthly Rate</u>
<b>Industrial</b>	
Capacity Charge	
Flow/MGD	\$ 10,261.00
BOD/lb/D	1.20
SS/lb/D	0.70
Use Charge	
Flow/MG	\$ 1523.46
BOD/1000 lbs	86.96
SS/1000 lbs	173.58
<b>Metered Commercial</b>	
0-150 mg/LBODand or SS/1000 gallons flow	\$ 2.23
Each additional 100mg/L BOD over 150 mg/L /1000 gal.	0.10
Each additional 100 mg/L SS over 150 mg/L/1000 gal.	0.13
<b>Schools</b>	
Per Pupil	\$ 0.67
<b>Restaurants</b>	
Per Seat	\$ 1.20
<b>Hospitals</b>	
Per Bed	\$ 24.45
<b>Residential</b>	
Fixture Units	
0-15	\$ 28.40
16-20	35.20
21-25 <sup>(1)</sup>	42.15
26-30	49.20
31-35	55.80
36-40	62.35
41-45	69.25
46-50	75.80
51-55	82.85
56-60	89.35
Service Charge	
Account	\$ 8.01

(1) Typical Residential Customer.  
Source: City of Turlock

A comparison of sewer service charges in the surrounding areas is set forth in the table below.

**TABLE 6**  
**CITY OF TURLOCK**  
**Comparison of Sewer User Charge – Residential**

<u>Agency</u>	<u>Monthly Rates</u>
Hughson (2)	\$ 69.22
Manteca (3)	43.30
Ceres (1)	42.94
North Ceres (2)	50.26
Turlock (3)	42.15
Lodi (3)	40.78
Merced (3)	40.29
Oakdale (2)	40.00
Stockton (3)	31.40
Tracy (3)	31.00
Modesto (2)	28.67

Where rates vary based on residence size or fixture count, a 3 bedroom 2 bath home was assumed.  
Level of Treatment 1=Primary, 2=Secondary, 3=Tertiary, Modesto under construction for tertiary treatment level  
Source: City of Modesto, Evaluation of Sewer Rates 2012

### **Historical and Projected Rate Increases**

The sewer rate ordinance authorizes the City Council to increase sewer service charges from time to time by a resolution adopted by a majority vote of the City Council.

A series of four sewer rate increases were implemented in 2003 through 2006 to fund an upgrade to the Regional Water Quality Control Facility mandated by the Central Valley Regional Water Quality Control Board to meet new discharge requirements (nitrification and tertiary treatment) and to construct the Harding Drain Bypass (described herein in “Capital Improvements”). Further, in 2008 the City Council adopted a multi-year rate schedule that included a series of six sewer rate increases for the period 2008 through 2013. The purpose of these rate increases was to fund the expansion of unit processes at the Regional Water Quality Control Facility so that the capacity to process organics matches the Regional Water Quality Control Facility’s hydraulic capacity of 20 mgd. These rate increases were adopted in conformity with Proposition 218. However, rate increases may be reduced, delayed or revoked at any time by the City Council, subject to the City’s rate covenant under the Installment Purchase Contract. See “SECURITY FOR THE SERIES 2003A BONDS – Rate Covenant.”

The following table shows the rate increases described above:

**TABLE 7  
Historical and Projected Rate Increases**

<u>Rate Increase</u>	<u>Year Implemented (January 1)</u>
19%	2003
19%	2004
19%	2005
13%	2006
0%	2007
7%	2008
4%	2009
4%	2010
3%	2011
2%	2012
2%	2013 (approved)

**Billing and Collection Procedures**

Users of the Sewer System are billed for sewer service on a combined monthly utility bill which includes water, sewer and refuse charges. The bills are prepared and mailed by the City Finance Department on or about the tenth calendar day of each month.

Bills are due and payable by the last day of the month and are considered delinquent and subject to a \$25 penalty if unpaid by the fifth calendar day of the following month. If payment is not received by the fifth of the month, a ten (10) day written Notice of Delinquency/Hearing (which includes a late penalty) and notice of impending termination of service is mailed to the customer to whom the service is billed. The notice contains the date of the impending disconnection that will occur no sooner than fifteen (15) days after the date the notice is mailed if payment is not received on or before the day before the scheduled disconnection date, or if other arrangements are not made. Service will be restarted only after the late bill, penalties, plus any disconnection fees have been paid in full.

**Regulatory Matters**

In response to the waste discharge permit for the Regional Water Quality Control Facility issued in 2001 (the “2001 Permit”), the City implemented a significant upgrade project to the Regional Water Quality Control Facility which was completed in 2006. The upgrade project ensured that the City would be able to comply with significantly more stringent limitations with respect to biochemical oxygen demand (“BOD”) and total suspended solids (“TSS”) imposed by the 2001 Permit. The 2001 Waste Discharge Permit also imposed significantly more stringent limitations with respect to the discharge of copper, cyanide, zinc, tributyltin bromodichloromethane, aluminum, molybdenum, iron and manganese in the City’s treated wastewater. These requirements were also addressed with improvements to the Regional Water Quality Control Facility described above.

On January 28, 2010, the Central Valley Regional Water Quality Control Board issued a new NPDES permit, Order No. R5-2010-0002 (the “2010 Permit”) and a Time Schedule Order (“TSO”) No. R5-2010-0003. During the past five years the City has been in compliance with all the terms and

conditions of the 2010 Permit except for minor exceedances due to human error or mechanical failure. There have been no instances of mandatory minimum penalties during this time.

In addition to imposing terms and conditions on current operations, the Permit and the TSO also require the City to achieve compliance with specific effluent and receiving water limitations by January 2015. The constituents subject to the TSO are copper, selenium, silver, chlorodibromomethane, dichlorobromomethane and aluminum.

Currently the City is in compliance for all but chlorodibromomethane and dichlorobromomethane, which generally are byproducts of the chlorination disinfection processes at the Regional Water Quality Control Facility and are referred to herein as “DPBs”. The 2010 Permit includes different requirements for the concentration of DBPs depending upon whether the City discharges its wastewater into the Harding Drain or directly into the San Joaquin River. In essence, when discharging to the San Joaquin River the City receives some credit for the dilutive effect of the greater flows in the River. The City is in the process of evaluating various disinfection alternatives (other than chlorination) in order to comply with the requirements of the 2010 related to DBPs. These alternatives include ultra-violet light, ozonization and packed tower air stripping. The City has not prepared detailed estimates of the cost impacts of these alternatives, however such alternative means of disinfection may result in capital costs as high as \$7-10 million as well as significantly increased operating costs, which are not reflected in the Projected Operating Results in Table \_\_\_.

### **Capital Improvements**

The City’s five-year capital improvement plan through Fiscal Year 2016-17 totals approximately \$67 million, and consists of various projects at the Regional Water Quality Control Facility (\$27 million) and the Harding Drain Bypass project (\$20 million) that will enable the Regional Water Quality Control Facility to discharge treated wastewater directly to the San Joaquin River and ultimately supply recycled water to agricultural users. The City plans to finance \$44 million of the capital plan with the proceeds of the SRF Loans, with the balance financed internally from surplus revenues and cash on hand. The SRF loans are payable over 20 years expected to begin in Fiscal Year 2014-15 and bear interest at a rate of 2.2%. The remaining balance of the \$67 million in projects consists primarily of design and construction of a fifth secondary clarifier (\$7 million), Aeration Basin #7 (\$6 million), new disinfection system (\$7-17 million) as well as minor improvement project within the Regional Water Quality Control Facility. Cost estimates are preliminary and will be refined as design work on the various projects proceeds. While the City believes these estimates are reasonable, there can be no assurances that actual costs will not exceed estimates. See “SECURITY FOR THE SERIES 2012 BONDS – Existing Parity Obligations.”

The projects at the Regional Water Quality Control Facility consist of various renewals, replacement, expansion and upgrade projects and will include construction of two aeration basins to expand the activated sludge process, a new headworks, a new cover for Digester 4, and a cover for the equalization basin. The addition of the aeration basins will expand the BOD capacity from 15.5 mgd to 20 mgd. The aeration basin technology was chosen in order to match existing facilities and to provide flexibility in complying with future discharge requirements. The new headworks will improve the flow hydraulics to prevent surcharging in the North Sewer Interceptor, thereby reducing the potential for sanitary sewer overflows. In addition the new headworks will improve operator safety and will require less staff maintenance. The new headworks will consist of four new influent pumps with a combined peak flow capacity of 40 mgd. Two new influent screens will be installed upstream of the new influent pumps. Screenings will be conveyed above grade with conveyors, washed, and dewatered. The final dewatered screenings will be hauled to the landfill. The cover for Digester 4 is being replaced with a cover of improved design, which will reduce fugitive emissions of methane into the atmosphere. The previous cover is no longer operational due to its age and corrosion-related damage. The new cover will allow Digester 4 to return to service thereby restoring gas storage capacity for heat generation and

enhancing process control. A cover for the equalization basin is being added to prevent algae growth and the influx of dust and wind-blown debris into the basin. The cover will reduce chemical, electrical and maintenance costs and allow the City to restore its use of the basin. Currently, the basin is not operational due to the potential risk of not complying with the turbidity limits of the City's 2010 Permit.

With these improvements, the City will have the excess treatment capacity necessary to continue to attract additional industrial, commercial, and residential development. However, despite the cost of these two major improvement projects, near term rate stability is forecast due to the prudent accumulation of reserves, low interest financing resulting from the SRF Loans, and lower than anticipated construction costs.

The Harding Drain Bypass Project will change the current point of discharge at the Harding Drain to a point of discharge directly to the San Joaquin River, upstream of the current confluence between the Harding Drain and the San Joaquin River. The effluent pipeline will consist of a force main that extends from the terminus of the current outfall to the San Joaquin River and covers a distance of approximately 5.6 miles in length. The diameter of the pipeline will be 36 inches to meet the design criteria for a peak flow of 35 mgd. The primary goal and objective of the Harding Drain Bypass Project is to eliminate the discharge of the City's treated wastewater to the Harding Drain, a constructed agricultural irrigation drain. Changing the point of discharge from the Harding Drain to the San Joaquin River will serve at least two beneficial purposes.

- Converts Harding Drain to an agricultural drain that has the primary function of managing drainage from irrigated lands, including control of flooding by elevated groundwater and winter stormwater. This will relieve the City of any need to coordinate with Turlock Irrigation District regarding management of the flows in the drain, and allow TID to efficiently operate and maintain its system.
- Reduces regulatory constraints with respect to future waste discharge requirements to the City issued by the Central Valley Regional Water Quality Control Board, while allowing TID and agricultural runoff or discharges to Harding Drain to separately monitor and manage water quality associated with agricultural activities, which are separate regulatory requirements.

### **Certain Retirement Benefits**

Salaries and benefits costs of the Sewer System include funding of retirement benefits for employees assigned to the Sewer System. Retirement payments, with respect to employees assigned to the Sewer System (which generally consists of payments to CalPERS), were approximately \$530,000 million in Fiscal Year 2009-10, approximately \$532,000 million in Fiscal Year 2010-11, and approximately \$797,000 million in Fiscal Year 2011-12. The City estimates that the required contribution for Fiscal Year 2012-13 will be approximately \$831,000 million, and projects that the required contribution for Fiscal Year 2013-14 will be increase by 2-3%.

The payments to CalPERS described in the paragraph above include both the employer and employee contribution. Pursuant to labor agreements, the City has paid the employee contribution. However, as part of negotiated concessions, in Fiscal 2011-12, City employees paid a portion of their retirement payments. These employee payments are estimated to be \$266,000 for Fiscal Year 2011-12, and approximately \$99,000 for Fiscal Year 2012-13 (the reduced amount for Fiscal Year 2012-13 is due to the fact that the negotiated concessions currently expire in October 2012).

For a variety of reasons, including investment losses and revised actuarial assumptions, the City's plan in CalPERS has experienced significant unfunded liabilities, and retirement costs payable with respect to all City employees, including those assigned to the Sewer System, has increased significantly in recent years. As a result, required contributions from the City for City employees (including those

assigned to the Sewer System) are expected to continue to increase. See APPENDIX A — “AUDITED FINANCIAL STATEMENTS OF THE CITY OF TURLOCK FOR YEARS ENDED JUNE 30, 2011 AND JUNE 30, 2010” — Note 9 to the Basic Financial Statements” for a discussion of retirement liabilities payable by the City.

In addition to required contributions for retirement benefits for employees, the City pays certain post-employment health care and other non-pension (“OPEB”) benefits for such employees. The City’s OPEB related payments were approximately \$2 million in Fiscal Year 2011-12 (of which approximately 10% is attributable to employees assigned to the Sewer System. See APPENDIX A — “AUDITED FINANCIAL STATEMENTS OF THE CITY OF TURLOCK FOR YEARS ENDED JUNE 30, 2011 AND JUNE 30, 2010” — Note 10 to the Basic Financial Statements” for a discussion of OPEB liabilities payable by the City, as well as the City’s current unfunded OPEB liability.

### **Insurance**

The City maintains an blanket property insurance program (covering all City-owned buildings and personal property, including the Sewer System) with limits in the aggregate amount of \$84 million. Flood coverage limits are at \$ \_\_\_\_\_. The coverage carries a \$ \_\_\_\_\_ deductible per occurrence. The Flood coverage carries a deductible of \_\_\_\_% of insured value (per unit) subject to a minimum of \$ \_\_\_\_\_. In addition, sub-limits on the property program include: an Earthquake coverage sub-limit of \$ \_\_\_\_\_ million with a deductible of \_\_\_\_% of insured value (per unit) subject to a minimum of \$ \_\_\_\_\_; a sub-limit of \$ \_\_\_\_\_ million applies to Sabotage and Terrorism subject to a \$ \_\_\_\_\_ deductible; and Boiler and Machinery coverage has a \$ \_\_\_\_\_ million limit for any one loss subject to a \$ \_\_\_\_\_ deductible (\$ \_\_\_\_\_ at the Treatment Plant). A significant portion of the insurance is provided through the Central San Joaquin Valley Risk Management Authority a driven joint powers authority of 54 cities.

The City currently purchases General Liability and Automobile Liability insurance of \$ \_\_\_\_\_ excess over a self-insured retention of \$ \_\_\_\_\_. The City insurance program may change in the future due to insurance market conditions and the availability of insurance to public entities.

### **Historical and Projected Operating Results**

The table below contains historical and projected operating for the Sewer Fund from fiscal year 2006-07 through fiscal year 2015-16. The operating results are prepared in accordance with the conventions of the Installment Purchase Agreement. The operating results through Fiscal Year 2010-11 are derived from information in the audited financial statements of the Sewer System. The operating results for Fiscal Year 2011-12 are estimates, and the operating results for Fiscal Year 2012-13 through 2015-16 (the “Projected Operating Results”) are projected. Significant assumptions used in the preparation of the Projected Operating Results are set forth in the footnotes to the table.

While the City believes the assumptions used in the preparation of the Projected Operating Results to be reasonable, the actual future conditions may vary significantly from the assumptions due to unanticipated events and circumstances. Any projection is subject to uncertainties. Some of the assumptions used to develop the projections will not be realized, and unanticipated events and circumstances could occur. Therefore there are likely to be differences between the projections and the actual results, and those differences may be material. To the extent that actual future conditions vary from those assumed by the City in the Projected Operating Results, the actual results will vary from those contained in the table. Changes in circumstances could have a material adverse impact on the ability of the City to pay the principal of and interest on the Series 2012 Bonds.

**CITY OF TURLOCK SEWER SYSTEM  
HISTORICAL AND PROJECTED OPERATING RESULTS<sup>(1)</sup>**

	Actual FY 2007	Actual FY 2008	Actual FY 2009	Actual FY 2010	Actual FY 2011	Estimated FY 2012	Projected FY 2013	Projected FY 2014	Projected FY 2015	Projected FY 2016
<b>Revenues</b>										
Charges for Services <sup>(2)</sup>	\$18,626,711	\$18,474,210	\$17,740,972	\$17,511,614	\$18,021,001	\$19,484,516	\$19,874,207	\$20,070,981	\$20,070,981	\$20,070,981
Other Operating Income	62,071	28,099	26,200	234,596	135,975	218,115	100,000	100,000	100,000	100,000
Interest Income <sup>(3)</sup>	1,115,514	1,194,457	779,767	547,922	378,005	402,802	400,000	400,000	400,000	400,000
Connection Fees <sup>(4)</sup>	26,246	9,048	2,946	4,383	890	6,000	6,000	6,000	6,000	6,000
Capital Contributions	1,968,121	2,130,043	678,988	0	0	0	0	0	0	0
Gain on Disposal of Capital Assets	10,052	848,915	(6,385)	0	0	0	0	0	0	0
<b>Total Revenues</b>	<b>\$21,808,715</b>	<b>\$22,684,772</b>	<b>\$19,222,488</b>	<b>\$18,298,515</b>	<b>\$18,535,871</b>	<b>\$20,111,433</b>	<b>\$20,380,207</b>	<b>\$20,576,981</b>	<b>\$20,576,981</b>	<b>\$20,576,981</b>
<b>Maintenance and Operation Costs<sup>(5)</sup></b>										
Salaries, Benefits & Insurance	\$3,640,093	\$4,351,947	\$4,712,572	\$4,825,177	\$4,424,034	\$5,285,153	\$5,417,282	\$5,552,714	\$5,691,532	\$5,833,820
Contractual	1,525,405	1,382,240	1,684,715	1,562,364	1,058,756	1,272,672	1,304,489	1,337,101	1,370,528	1,404,792
Supplies and Maintenance	1,872,931	1,373,587	1,489,039	1,211,372	1,136,520	1,175,136	1,204,515	1,234,628	1,265,493	1,297,131
Utilities	1,011,271	1,190,883	1,306,882	1,486,760	1,443,948	1,471,771	1,508,565	1,546,279	1,584,936	1,624,560
Fleet Expense	440,188	300,447	386,318	357,307	208,960	210,389	250,000	250,000	250,000	250,000
Other Expenses	108,664	104,803	99,047	173,295	77,057	218,191	175,000	175,000	175,000	175,000
<b>Total Maintenance and Operation Costs</b>	<b>\$8,598,552</b>	<b>\$8,703,907</b>	<b>\$9,678,573</b>	<b>\$9,616,275</b>	<b>\$8,349,275</b>	<b>\$9,633,313</b>	<b>\$9,859,851</b>	<b>\$10,095,722</b>	<b>\$10,337,490</b>	<b>\$10,585,303</b>
Income before Operating Transfers	\$13,210,163	\$13,980,865	\$9,543,915	\$8,682,240	\$10,186,596	\$10,478,121	\$10,520,356	\$10,481,259	\$10,239,491	\$9,991,678
Net Operating Transfers In (Out)	\$370,282	(\$57,457)	(\$207,330)	\$579,484	(\$838,160)	(\$391,664)	\$0	\$0	\$0	\$0
Income after Net Operating Transfers In (Out)	\$13,580,445	\$13,923,408	\$9,336,585	\$9,261,724	\$9,348,436	\$10,086,457	\$10,520,356	\$10,481,259	\$10,239,491	\$9,991,678
Transfer (to) from Rate Stabilization Fund (RSF) <sup>(6)</sup>	0	0	(2,250,000)	(2,100,000)	(2,150,000)	(1,900,000)	(3,860,000)	(4,490,000)	(10,000)	230,000
<b>Net System Revenues</b>	<b>\$13,580,445</b>	<b>\$13,923,408</b>	<b>\$7,086,585</b>	<b>\$7,161,724</b>	<b>\$7,198,436</b>	<b>\$8,186,457</b>	<b>\$6,660,356</b>	<b>\$5,991,259</b>	<b>\$10,229,491</b>	<b>\$10,221,678</b>
<b>Debt Service on Parity Obligations</b>										
Series 1999 Bonds	\$1,537,513	\$1,539,763	\$1,540,231	\$1,538,856	\$1,535,575	\$1,540,075	\$1,100,600	\$0	\$0	\$0
Series 2003A Bonds	3,235,465	3,236,871	3,234,040	3,236,578	3,234,128	3,236,940	2,204,720	0	0	0
Series 2012 Bonds	0	0	0	0	0	0	1,131,953	3,991,100	3,999,400	3,993,000
SWRCB Loan--Harding Drain Bypass <sup>(7)</sup>	0	0	0	0	0	0	0	0	1,280,755	1,280,754
SWRCB Loan--Water Quality Control Project <sup>(7)</sup>	0	0	0	0	0	0	0	0	1,539,970	1,539,970
<b>Total Debt Service</b>	<b>\$4,772,978</b>	<b>\$4,776,634</b>	<b>\$4,774,271</b>	<b>\$4,775,434</b>	<b>\$4,769,703</b>	<b>\$4,777,015</b>	<b>\$4,437,273</b>	<b>\$3,991,100</b>	<b>\$6,820,125</b>	<b>\$6,813,724</b>
<b>Calculation of Debt Service Coverage</b>										
System Revenues	\$22,178,997	\$22,627,315	\$16,765,158	\$16,777,999	\$15,547,711	\$17,819,769	\$16,520,207	\$16,086,981	\$20,566,981	\$20,806,981
Maintenance and Operation Costs	8,598,552	8,703,907	9,678,573	9,616,275	8,349,275	9,633,313	9,859,851	10,095,722	10,337,490	10,585,303
Net System Revenues	\$13,580,445	\$13,923,408	\$7,086,585	\$7,161,724	\$7,198,436	\$8,186,457	\$6,660,356	\$5,991,259	\$10,229,491	\$10,221,678
Debt Service Coverage <sup>(8)</sup>	2.85	2.91	1.48	1.50	1.51	1.71	1.50	1.50	1.50	1.50
Debt Service Coverage without Rate Stabilization Fund activity <sup>(9)</sup>	2.85	2.91	1.96	1.94	1.96	2.11	2.37	2.63	1.50	1.47

- (1) Information for Fiscal Years 2006-07 is derived from the audited financial statements for the Sewer System. Information for Fiscal Year 2011-12 is estimated. Information for Fiscal Years 2012-13 through 2015-16 (the "Projection Period") is projected, based on assumptions made by the District, including the assumptions described in the footnotes below.
- (2) For the Projection Period, 0% growth in customer accounts is assumed. In assumed, 0% rate increases are assumed.
- (3) For the Projection Period, assumes annual investment earnings of \_%.
- (4) For the Projection Period, all connection fees are projected to be attributable to changes in use of existing customer accounts, and not growth in customers.
- (5) For the Projection Period, Operation and Maintenance Expenses are assumed to escalate at 3% annually.
- (6) For the Projection Period, transfers to, or withdrawals from, the Rate Stabilization Fund are projected to occur at results that will result in debt service coverage for the respective years (after taking into account such transfer) will be approximately 1.5.
- (7) Based on City's current estimate of drawdowns on the SRF Loans.
- (8) Equals Net System Revenues divided by Total Debt Service.
- (9) Equals (i) Net System Revenues plus transfer to (or less transfers from) the Rate Stabilization Fund divided by (ii) Total Debt Service.

Source: The City.

## **INVESTMENT CONSIDERATIONS**

The following factors, which represent certain risk factors, should be considered along with all other information in this Official Statement by potential investors in evaluating the Series 2012 Bonds. The following is not intended to be an exhaustive list and there can be no assurance made that other risk factors do not currently exist or will not become evident at any future time.

### **Rate Covenant Not a Guarantee**

The ability of the City to make the 2012 Installment Payments and thereby pay the principal of and interest on the Series 2012 Bonds depends on the ability of the City to generate Net Revenues in the levels required by the Installment Purchase Contract. Although, as more particularly described herein, the City expects that sufficient Net System Revenues will be generated through the imposition and collection of impact fees, service fees and other System Revenues described herein, there is no assurance that such imposition of impact fees, service fees, or other System Revenues will result in the generation of Net System Revenues in the amounts required by the Installment Purchase Contract. As a result, the City's rate covenant does not constitute a guarantee that sufficient Net System Revenues will be available to make debt service payments on the Series 2012 Bonds.

### **Statutory and Regulatory Impact**

Laws and regulations governing treatment and disposal of wastewater are enacted and promulgated by government agencies on the federal, state and local levels. Compliance with these laws and regulations may be extremely costly, and, as more stringent standards are developed to protect the environment, these costs will likely increase. In particular, as described in "THE CITY - Regulatory Matters," in the future, the City may have to implement an alternative means of disinfection (other than chlorination) to comply with State Waste Discharge Requirements related to DBPs. Such alternative means may result in significant increases in capital and/or operating costs of the Sewer System, which are not reflected in the Projected Operating Results.

Claims against the City for violations of regulations with respect to its facilities and services could be significant. Such claims may payable from assets of the City or from other legally available sources.

Although the City has covenanted in the Installment Purchase Contract to fix, prescribe and collect rates, fees and charges during each Fiscal Year at specified levels, no assurance can be given that the cost of compliance with such laws and regulations will not materially adversely affect the ability of the City to generate Net System Revenues in the amounts required by the Installment Purchase Contract and to pay the 2012 Installment Payments. Certain potential increasing regulatory standards could materially increase the cost to the City of providing sewer services.

### **Earthquake, Flood or Other Natural Disasters**

The occurrence of an earthquake, flood or other natural disaster which resulted in the temporary or permanent closure of major components of the Sewer System or resulted in significantly increased costs could materially adversely affect the ability of the City to operate the Sewer System or to generate Net System Revenues at the levels required by the Installment Purchase Contract. See "THE CITY — Insurance" herein.

## **Projected Operating Results**

The Projected Operating Results included herein are based on certain assumptions and forecasts. Any forecast is subject to uncertainties. There will usually be differences between actual and forecast results because not all events and circumstances occur as expected, and those differences may be material.

Accordingly, the Projected Operating Results are not necessarily indicative of future performance, and the City does not assume any responsibility for the failure to meet such projections. In addition, certain assumptions with respect to future business and financing decisions of the City are subject to change. No representation is made or intended, nor should any representation be inferred, with respect to the likely existence of any particular future set of facts or circumstances, and prospective purchasers of the Series 2012 Bonds are cautioned not to place undue reliance upon the Projected Operating Results. If actual results are less favorable than the results projected or if the assumptions used in preparing such projections prove to be incorrect, the amount of Net System Revenues may be materially less than expected and consequently, the ability of the City to make timely payment of the principal of and interest on the Series 2012 Bonds may be materially adversely affected.

Neither the City's independent auditors, nor any other independent accountants have compiled, examined or performed any procedures with respect to the Projected Operating Results, nor have they expressed any opinion or any form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the Projected Operating Results, nor have they expressed any opinion or any form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the Projected Operating Results.

## **Certain Limitations on the Ability of the City to Impose Taxes, Fees and Charges**

On November 5, 1996, the voters of the State approved Proposition 218, a constitutional initiative, entitled the "Right to Vote on Taxes Act" ("Proposition 218"). Proposition 218 added Articles XIIC and XIID to the California Constitution and contains a number of interrelated provisions affecting the ability of local governments, including the City, to levy and collect both existing and future taxes, assessments, fees and charges.

Section 3 of Article XIIC expressly extends the initiative power to give voters the power to reduce or repeal local taxes, assessments, fees and charges, regardless of the date such taxes, assessments, fees or charges were imposed. Section 3 expands the initiative power to include reducing or repealing assessments, fees and charges, which had previously been considered administrative rather than legislative matters and therefore beyond the initiative power. This extension of the initiative power is not limited by the terms of Article XIIC to fees imposed after November 6, 1996, the effective date of Proposition 218, and absent other legal authority could result in the reduction in any existing taxes, assessments or fees and charges imposed prior to November 6, 1996.

"Fees" and "charges" are not expressly defined in Article XIIC or in SB 919, the Proposition 218 Omnibus Implementation Act enacted in 1997 to prescribe specific procedures and parameters for local jurisdictions in complying with Article XIIC and Article XIID ("SB 919"). However, on July 24, 2006, the California Supreme Court ruled in *Bighorn-Desert View Water Agency v. Virjil (Kelley)* (the "Bighorn Decision") that charges for ongoing water delivery are property related fees and charges within the meaning of Article XIID and are also fees or charges within the meaning of Section 3 of Article XIIC. The California Supreme Court held that such water service charges may, therefore, be reduced or repealed through a local voter initiative pursuant to Section 3 of Article XIIC.

In the Bighorn Decision, the Supreme Court did state that nothing in Section 3 of Article XIIC authorizes initiative measures that impose voter-approval requirements for future increases in fees or

charges for water delivery. The Supreme Court stated that water providers may determine rates and charges upon proper action of the governing body and that the governing body may increase a charge which was not affected by a prior initiative or impose an entirely new charge.

The Supreme Court further stated in the Bighorn Decision that it was not holding that the initiative power is free of all limitations and was not determining whether the initiative power is subject to the statutory provision requiring that water service charges be set at a level that will pay debt service on bonded debt and operating expenses. Such initiative power could be subject to the limitations imposed on the impairment of contracts under the contract clause of the United States Constitution. Additionally, SB 919 provides that the initiative power provided for in Proposition 218 “shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after (the effective date of Proposition 218) assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights” protected by the United States Constitution. However, no assurance can be given that the voters within the service area of the City will not, in the future, approve an initiative which reduces or repeals local taxes, assessments, fees or charges.

Article XIID defines a “fee” or “charge” as any levy other than an ad valorem tax, special tax, or assessment imposed upon a parcel or upon a person as an incident of property ownership, including a user fee or charge for a property-related service. A “property-related service” is defined as “a public service having a direct relationship to a property ownership.” In the Bighorn Decision, the California Supreme Court held that a public water agency’s charges for ongoing water delivery are fees and charges within the meaning of Article XIID. Article XIID requires that any agency imposing or increasing any property-related fee or charge must provide written notice thereof to the record owner of each identified parcel upon which such fee or charge is to be imposed and must conduct a public hearing with respect thereto. The proposed fee or charge may not be imposed or increased if a majority of owners of the identified parcels file written protests against it. As a result, the local government’s ability to increase such fee or charge may be limited by a majority protest.

The City believes that it has complied with the applicable notice and protest procedures of Article XIID for all increases in its rates and charges approved since the effective date of Article XIID, and that the Bighorn decision will not require any changes in the procedures it has utilized. There has not been nor is there any pending challenge to any of the City’s fees and charges approved since the effective date of Proposition 218.

In addition, Article XIID also includes a number of limitations applicable to existing fees and charges including provisions to the effect that (i) revenues derived from the fee or charge shall not exceed the funds required to provide the property-related service; (ii) such revenues shall not be used for any purpose other than that for which the fee or charge was imposed; (iii) the amount of a fee or charge imposed upon any parcel or person as an incident of property ownership shall not exceed the proportional cost of the service attributable to the parcel; and (iv) no such fee or charge may be imposed for a service unless that service is actually used by, or immediately available to, the owner of the property in question. Property-related fees or charges based on potential or future use of a service are not permitted.

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIIC of the State Constitution by expanding the definition of “tax” to include “any levy, charge, or exaction of any kind imposed by a local government” except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, for performing investigations,

inspections, and audits, for enforcing agricultural marketing orders, and for the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIID. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bears a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity. As of the date of this Official Statement, the City is unaware of any fees relating to the Sewer System that would have to be reduced or eliminated because of Proposition 26.

Articles XIII A, XIII B, XIII C and XIII D were adopted as measures that qualified for the ballot pursuant to California's initiative process. From time to time other initiatives could be proposed and adopted affecting the City's revenues or ability to increase revenues.

Pursuant to the Installment Purchase Contract, the City has covenanted in the Installment Purchase Agreement to fix, prescribe and collect rates and charges for the Sewer Service (as defined herein) which will be at least sufficient to pay all Obligations (other than Parity Obligations) and to yield during each Fiscal Year Net System Revenues equal to 120% of the Debt Service for such Fiscal Year. Net System Revenues may be increased or reduced by transfers in or out of the Rate Stabilization Fund as provided in the Installment Purchase Agreement. See "SECURITY FOR THE SERIES 2012 Bonds — Rate Covenant" herein. In the event that proposed increased service charges cannot be imposed as a result of a majority protest, such circumstances may adversely effect the ability of the Sanitation System to generate revenues in the amounts required by the Installment Purchase Contract, and to make 2011A Payments representing principal and interest with respect to the Series 2012 Bonds.

#### **Potential Acceleration of SRF Loans**

As described herein in "SECURITY FOR THE SERIES 2012 BONDS – Existing Parity Obligations," in 2011 the City has entered into the SRF Loans in the aggregate available principal amount of \$44 million. The SRF Loans constitute Parity Obligations under the Installment Purchase Agreement. The SRF Loans provide that all payments thereunder may be immediately due and payable in the event of material breach by the City (and failure to cure). Parity Obligations are also subject to acceleration upon the occurrence of an event of default thereunder (subject to the provisions of the Installment Purchase Contract) pursuant to the Installment Purchase Contract. There can be no assurances that, in the event that the payments with respect to the SRF Loans are accelerated, such circumstances would not materially adversely effect the ability of the City to pay debt service with respect to the Series 2012 Bonds.

### **TAX MATTERS**

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2012 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and exempt from State of California personal income taxes. Bond Counsel is also of the opinion that interest on the Series 2012 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings in calculating corporate alternative minimum taxable income. A complete copy of the proposed

form of opinion of Bond Counsel is included herein as Appendix D.

To the extent the issue price of any maturity of the Series 2012 Bonds is less than the amount to be paid at maturity of such Series 2012 Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 2012 Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each owner thereof, is treated as interest on the Series 2012 Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Series 2012 Bonds is the first price at which a substantial amount of such maturity of the Series 2012 Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Series 2012 Bonds accrues daily over the term to maturity of such Series 2012 Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Series 2012 Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series 2012 Bonds. Owners of the Series 2012 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series 2012 Bonds with original issue discount, including the treatment of purchasers who do not purchase such Series 2012 Bonds in the original offering to the public at the first price at which a substantial amount of such Series 2012 Bonds is sold to the public.

Series 2012 Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a purchaser's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such purchaser. Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2012 Bonds. The Authority has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Series 2012 Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Series 2012 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2012 Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Series 2012 Bonds may adversely affect the value of, or the tax status of interest on, the Series 2012 Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Series 2012 Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Series 2012 Bonds may otherwise affect a beneficial owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the beneficial owner or the beneficial owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 2012 Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners of the Series 2012 Bonds from realizing the full current benefit of the tax status of such interest. As one example, on September 12, 2011, the Obama Administration announced a legislative proposal entitled the American Jobs Act of 2011. For tax years beginning on or after January 1, 2013, the American Jobs Act of 2011 generally would limit the exclusion from gross income of interest on obligations like the Series 2012 Bonds to some extent for taxpayers who are individuals and whose income is subject to higher marginal income tax rates. Other proposals have been made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of interest on obligations like the Series 2012 Bonds. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Series 2012 Bonds. Prospective purchasers of the Series 2012 Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and regarding the impact of future legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Series 2012 Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Authority, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Authority has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Series 2012 Bonds ends with the issuance of the Series 2012 Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Authority or the beneficial owners regarding the tax-exempt status of the Series 2012 Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Authority and its appointed counsel, including the beneficial owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Authority legitimately disagrees may not be practicable. Any action of the Internal Revenue Service, including but not limited to selection of the Series 2012 Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues, may affect the market price for, or the marketability of, the Series 2012 Bonds, and may cause the Authority or the beneficial owners to incur significant expense.

## **INDEPENDENT ACCOUNTANTS**

The financial statements of the Sewer Fund for the fiscal years ended June 30, 2011 and 2010 are included in the City's general purpose financial statements, attached hereto as Appendix A to this Official Statement. The City's financial statements for such years have been audited by Caporicci & Larson, Inc., Certified Public Accountants (the "Accountants"). The Accountants were not requested to consent to the inclusion of the audit report included in Appendix A hereof.

## **RATINGS**

Moody's Investors Service and Standard & Poor's Ratings Group have rated the Series 2012 Bonds "\_\_\_" and "\_\_\_," respectively. Certain information was supplied by the Authority and the City to such rating agencies to be considered in evaluating the Series 2012 Bonds. The ratings reflect only the views of the rating agencies and any explanation of the significance of such ratings and any ratings on any

of the City's outstanding obligations may be obtained only from such rating agencies as follows: Moody's Investors Service, 99 Church Street, New York, New York 10017; and Standard & Poor's Ratings Services, 55 Water Street, New York, New York 10041. There is no assurance that the ratings will remain in effect for any given period of time or that they will not be revised downward or withdrawn entirely by such rating agencies, or any of them, if, in their respective judgment, circumstances so warrant. Any downward revision or withdrawal of any rating may have an adverse effect on the market price of the Series 2012 Bonds.

### **UNDERWRITING**

E.J. De La Rosa & Co., Inc. (the "Underwriter") has agreed, subject to certain conditions, to purchase the Series 2012 Bonds at an aggregate purchase price equal to \$ \_\_\_\_\_ (consisting of \$ \_\_\_\_\_ aggregate principal amount of the Series 2012 Bonds, less \$ \_\_\_\_\_ of Underwriter's discount and plus \$ \_\_\_\_\_ of original issue premium on the Series 2012 Bonds ). The purchase contract relating to the Series 2012 Bonds provides that the Underwriters will purchase all the Series 2012 Bonds if any are purchased. The Series 2012 Bonds may be offered and sold by the Underwriter to certain dealers and others at prices lower than such public offering price, and such public offering price may be changed, from time to time, by the Underwriter.

### **FINANCIAL ADVISOR**

First Southwest Company is employed as Financial Advisor to the City in connection with the issuance of the Series 2012 Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Series 2012 Bonds is contingent upon the issuance and delivery of the Series 2012 Bonds. First Southwest Company, in its capacity as Financial Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Series 2012 Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies. The Financial Advisor to the City has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the City and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

### **VERIFICATION OF MATHEMATICAL COMPUTATIONS**

Upon delivery of the Series 2012 Bonds, \_\_\_\_\_, independent certified public accountants, will deliver a report stating that the firm has verified the mathematical accuracy of certain computations relating to the adequacy of the amounts deposited pursuant to the Escrow Agreement to pay the applicable redemption price of and accrued interest on, the Refunded Bonds on their respective payment and redemption dates.

### **CERTAIN LEGAL MATTERS**

The validity of the Series 2012 Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority. A complete copy of the proposed form of Bond Counsel opinion is contained in Appendix D. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters in connection with the Series 2012 Bonds will be passed upon for the City and the Authority by the City

Attorney of the City of Turlock, and for the City by Stradling Yocca Carlson & Rauth, a Professional Corporation, Disclosure Counsel to the City.

### **LITIGATION**

There is no litigation pending concerning the validity of the Series 2012 Bonds, the corporate existence of the City or the Authority, or the title of the officers to their respective offices.

### **CONTINUING DISCLOSURE**

The City has covenanted for the benefit of Owners and beneficial owners of the Series 2012 Bonds to provide certain financial information and operating data relating to the City by not later than 210 days following the end of the City's fiscal year (which fiscal year presently ends on June 30) (the "Annual Report"), commencing with the Annual Report for the 2011-12 Fiscal Year, and to provide notices of the occurrence of certain enumerated events. The Annual Report and notices of events will be filed by the City with the Municipal Securities Rulemaking Board through its EMMA system. The specific nature of the information to be contained in the Annual Report or the notices of events is set forth in APPENDIX F – "FORM OF CONTINUING DISCLOSURE CERTIFICATE" hereto. These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5). CONFIRM The City has not failed in the last five years to comply in all material respects with any previous undertakings with regard to said Rule to provide annual reports or notices of material events.

The obligation of the City under the Continuing Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all the Series 2012 Bonds. The provisions of the Continuing Disclosure Certificate are intended to be for the benefit of the Owners of the Series 2012 Bonds and beneficial owners of the Series 2012 Bonds and in order to assist the Underwriter in complying with the Rule and shall be enforceable by any Owner or beneficial owners of the Series 2012 Bonds, provided that any enforcement action by any such person shall be limited to a right to obtain specific enforcement of the City's obligations under the Continuing Disclosure Certificate and any failure by the City to comply with the provisions thereof shall not be an event of default under the Indenture or the Installment Purchase Agreement.

**MISCELLANEOUS**

The purpose of this Official Statement is to supply information to prospective buyers of the Series 2012 Bonds. References are made herein to certain documents and reports that are brief summaries thereof that do not purport to be complete or definitive, and reference is made to such documents and reports for full and complete statement of the contents thereof.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or holders of any of the Series 2012 Bonds. The preparation and distribution of this Official Statement have been authorized by the Authority and the City.

**TURLOCK PUBLIC FINANCING AUTHORITY**

By: \_\_\_\_\_  
Executive Director

**CITY OF TURLOCK**

By: \_\_\_\_\_  
City Manager

**APPENDIX A**  
**AUDITED FINANCIAL STATEMENTS OF THE CITY OF TURLOCK**  
**FOR YEARS ENDED JUNE 30, 2011 AND JUNE 30, 2010**

**APPENDIX B  
CERTAIN INFORMATION REGARDING  
THE CITY OF TURLOCK**

The following financial and economic information for the City is presented to supplement information presented with respect to the Sewer System. The Series 2012 Bonds are not secured by a legal or equitable pledge of or charge or lien upon, any property of the City or any of its income or receipts, except the Net System Revenues. The full faith and credit of the City is not pledged for the payment of the principal of or interest on the Series 2012 Bonds and no tax or other source of funds, other than the Net System Revenues, is pledged to pay the principal of or interest on the Series 2012 Bonds. The payment of the principal of or interest on the Series 2012 Bonds does not constitute a debt, liability or obligation of the City.

**General**

The City of Turlock (the "City") is located in Stanislaus County (the "County"), approximately midpoint between Fresno and Sacramento on Highway 99 in the Central Valley, 107 miles east of San Francisco, 85 miles south of Sacramento, and 305 miles north of Los Angeles. Turlock was incorporated in 1908.

Once a farming community for the first settlers in the 1850's, the City is now the second largest city in the County with a population of 69,370, according to the 2010 U.S. census. Turlock's overall economic base is concentrated in agriculture and agricultural processing, but continues to diversify as it grows. Turlock is a service center for the surrounding agricultural area, the second-largest city in the county, and home to a California State University campus. Median household effective buying income is 96% of the national average, and the city's June 2012 unemployment rate was 11.9%, a substantial improvement from the most recent peak of 14.5% in February 2010.

**Administration**

The members of the City Council and their terms of office as of the date hereof are shown below:

<u>Member</u>	<u>Term Expires</u>
John Lazar, Mayor	2014
Amy Bublak	2012
Bill DeHart Jr.	2014
Forrest White	2014
Mary Jackson	2012

Set forth in the following paragraphs are brief biographies of certain key officials of the City:

Roy Wasden, City Manager: Roy was sworn in as the City Manager for the City of Turlock, California on Tuesday, June 23, 2009. As City Manager, Roy is responsible for the day to day operation of a city of 327 full-time employees. Roy earned a business management degree from the University of Utah. Roy has had a wide variety of public service opportunities and challenges during his 33 years of law enforcement. Under his leadership Modesto Police Department gained national accreditation and recognition for their successful handling of the investigation into the murder of Laci Peterson.

Dan Madden, Director of Municipal Services: Dan Madden has been in the water and wastewater field for over 30 years and a City employee since 1985. Mr. Madden has been the Municipal Services Director for the City of Turlock since 2004. During his career with the City he has overseen the

construction and project management of over \$70 million in Regional Water Quality Control Facility improvements. Mr. Madden received a bachelors degree in biology from Northland College, Ashland WI, in 1980. Dan holds a Grade V wastewater treatment plant operator certification, a Grade III water operator certification, as well as numerous California Water Environment Association (CWEA) certifications.

## Population

The following table summarizes the population estimates for the City, the County and the State of California on January 1 of the five most recent calendar years.

### CITY OF TURLOCK Population Estimates

Year (January 1)	City of Turlock	County of Stanislaus	State of California
2008	67,420	509,389	36,704,375
2009	67,619	511,266	36,966,713
2010	68,549	514,453	37,253,956
2011	68,813	516,244	37,427,946
2012	69,370	519,940	37,678,563

Source: State Department of Finance.

## Employment

The City is included in the Modesto Metropolitan Statistical Area which includes all of the County. The following table summarizes the civilian labor force, employment and unemployment in the County for the last five calendar years. These figures are county-wide statistics and may not necessarily accurately reflect employment trends in the City.

**STANISLAUS COUNTY  
STATISTICAL AREA  
Civilian Labor Force, Employment and Unemployment  
Total Annual**

	2007	2008	2009	2010	2011 <sup>(1)</sup>
Civilian Labor Force	\$ 227,200	\$ 232,000	\$ 234,800	\$ 239,600	\$ 236,600
Employment	207,500	206,400	197,600	198,200	196,800
Unemployment	19,700	25,500	37,100	41,400	39,800
Unemployment Rate	8.7%	11.0%	15.8%	17.3%	16.8%
<b>Wage and Salary Employment</b>					
Total, All Industries	5,129,298	5,167,693	4,964,988	5,015,395	1,372,632
Agricultural	1,862,543	1,819,807	1,648,155	1,626,557	476,032
Non Agricultural					
Natural Resources & Mining	304,726	326,555	321,778	322,809	95,999
Construction	480,748	404,012	301,858	258,867	73,667
Manufacturing	1,077,069	1,089,239	1,024,520	1,044,882	306,367
Service Providing	3,266,755	3,347,886	3,316,832	3,388,838	896,599
Trade, Transportation and Utilities	1,049,263	1,041,864	1,007,874	1,053,809	288,018
Information	80,154	76,649	57,421	55,276	13,390
Financial Activities	274,200	273,817	254,111	237,379	59,729
Professional and Business Services	545,558	538,314	497,141	467,178	116,343
Educational and Health Services	947,727	1,025,150	1,122,246	1,200,014	323,010
Leisure and Hospitality	206,605	215,472	208,486	208,136	54,522
Other Services	161,512	163,897	160,540	157,752	37,660
Unclassified	1,736	12,724	9,013	9,295	3,928
Government	1,255,266.00	1,372,504.00	1,310,735.00	1,263,350.00	303,017.00

<sup>(1)</sup> (July-September).

Source: Labor Market Division of the California State Employment Development Department.

**Largest Employers**

The City is primarily a food processing center with increasingly diverse industrial and commercial development. The following tables list the City's top employers as of December 2010.

**CITY OF TURLOCK  
Largest Employers (2011)**

<u>Name of Company</u>	<u>Product(s)</u>	<u>Employment</u>
Foster Farms	Poultry Processing	1,550
Turlock Unified Schools	Education	1,437
Emanuel Medical	Healthcare	1,411
CSU, Stanislaus	Education	983
Turlock Irrigation District	Utilities	476
City of Turlock	Government	331
Wal-Mart	Retail Sales	324
Target Stores	Retail Sales	235
Mid-Valley Dairy	Dairy	215
Costco	Retail Sales	215

Source: Turlock Chamber of Commerce and Alliance of Stanislaus County.

## Commercial Activity

A recent history of taxable transactions in the City is shown in the following table:

**CITY OF TURLOCK**  
**Taxable Retail Sales for Fiscal Years ended June 30, 2007 through 2011**  
**(in thousands)**

	2007	2008	2009	2010	2011
Retail Stores					
Apparel Stores	\$ 20,238	\$ 20,603	\$ 21,292	\$ 23,566	\$ 25,032
General Merchandise	243,937	235,112	223,969	225,100	236,049
Drug Stores	12,254	12,288	12,382	12,073	12,052
Food Stores	50,137	51,592	42,926	44,098	44,754
Packaged Liquor Stores	4,892	6,580	7,480	7,511	7,563
Eating / Drinking Places	93,045	95,897	97,078	93,018	96,348
Home Furn. & Appliances	23,889	29,557	19,106	10,976	11,252
Bldg. Mat. & Farm Impl.	156,688	160,212	126,336	119,430	129,973
Auto Dealers / Supplies	164,606	126,112	82,102	70,788	69,485
Service Stations	99,087	112,150	102,040	99,742	126,092
Other Retail Stores	<u>74,177</u>	<u>78,767</u>	<u>73,374</u>	<u>71,436</u>	<u>74,873</u>
Retail Stores Total	942,950	928,870	808,085	777,738	833,473
All Other Outlets	<u>99,331</u>	<u>99,128</u>	<u>104,077</u>	<u>76,341</u>	<u>136,166</u>
<b>TOTAL ALL OUTLETS</b>	<u><b>\$ 1,042,281</b></u>	<u><b>\$ 1,027,998</b></u>	<u><b>\$ 912,162</b></u>	<u><b>\$ 854,079</b></u>	<u><b>\$ 969,639</b></u>

Source: City of Turlock & MuniServices

## Construction Activity

The following table summarizes building permit valuations in the City in calendar years 2007 through 2011.

**CITY OF TURLOCK**  
**Total Building Permit Valuations**  
**(valuations in thousands)**

	2007	2008	2009	2010	2011
Valuation:					
Residential	\$54,624,443	\$22,227,210	\$12,973,100	\$13,062,170	\$ 9,641,410
Commercial	<u>28,835,330</u>	<u>33,469,530</u>	<u>21,792,440</u>	<u>15,943,820</u>	<u>34,087,550</u>
Total	<u><b>\$83,459,773</b></u>	<u><b>\$55,696,740</b></u>	<u><b>\$34,765,540</b></u>	<u><b>\$29,005,990</b></u>	<u><b>\$34,087,550</b></u>
New Dwelling Units:					
Single Family	148	108	53	54	28
Multiple Family	<u>15</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	163	109	53	54	28

Source: City of Turlock.

## **Statement of Direct and Overlapping Debt**

Set forth below is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics Inc.. The Debt Report is included for general information purposes only. The City believes the source of information to be reliable but makes no representation as to the accuracy of the Debt Report.

The Debt Report generally includes long term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the City in whole or in part. Such long term obligations generally are not payable from revenues of the City (except as indicated) nor are they necessarily obligations secured by land within the City. In many cases long term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

**CITY OF TURLOCK**  
**Statement of Direct and Overlapping Debt**  
**As of July 1, 2012**

2011-12 Assessed Valuation: \$4,560,735,051  
 Redevelopment Incremental Valuation: 663,736,886  
 Adjusted Assessed Valuation: \$3,896,998,165

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 7/1/12</u>
Yosemite Community College District	8.714%	\$26,678,447
Denair Unified School District	30.501	5,558,219
Turlock Joint Unified School District School Facilities Improvement District No. 1	92.806	8,347,900
Turlock Joint Unified School District (former High School District Bonds)	77.608	23,701,483
Turlock Joint Unified School District (former Elementary School District Bonds)	92.738	8,202,676
Chatom Union School District	14.990	726,351
City of Turlock Community Facilities District No. 1	100.	3,390,000
California Statewide Community Development Authority 1915 Act Bonds	100.	<u>244,610</u>
<b>TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT</b>		<b>\$76,849,686</b>

<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
Stanislaus County Certificates of Participation	12.421%	\$ 8,292,881
Stanislaus County Pension Obligations	12.421	2,646,915
Stanislaus County Office of Education Certificates of Participation	12.421	526,029
Turlock Joint Union High School District Certificates of Participation	77.608	6,049,544
Denair Unified School District Certificates of Participation	30.501	908,930
<b>City of Turlock General Fund Obligations</b>	<b>100.</b>	<u>-</u> (1)
<b>TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>		<b>\$18,424,299</b>

**COMBINED TOTAL DEBT** **\$95,273,985 (2)**

(1) Excludes issue to be sold.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2011-12 Assessed Valuation:  
 Total Overlapping Tax and Assessment Debt ..... 1.69%

Ratios to Adjusted Assessed Valuation:  
**Combined Direct Debt** ..... - %  
 Combined Total Debt ..... 2.44%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/12: \$0

KD:(\$450)

**APPENDIX C**  
**SUMMARY OF PRINCIPAL LEGAL DOCUMENTS**

**APPENDIX D**  
**FORM OF BOND COUNSEL OPINION**

**APPENDIX E**  
**FORM OF CONTINUING DISCLOSURE AGREEMENT**

## APPENDIX F BOOK-ENTRY ONLY SYSTEM

*The information in this section regarding DTC and its book-entry system has been obtained from DTC's website, for use in securities offering documents, and the City takes no responsibility for the accuracy or completeness thereof or for the absence of material changes in such information after the date hereof.*

The Depository Trust Company ("DTC"), New York, New York, acts as securities depository for the Series 2012 Bonds. The Series 2012 Bonds were issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate was issued for each maturity of each series of the Series 2012 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of the Series 2012 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2012 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2012 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2012 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2012 Bonds, except in the event that use of the book-entry system for the Series 2012 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2012 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2012 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2012 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2012 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2012 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2012 Bonds, such as redemptions, tenders, defaults and proposed amendments to the Series 2012 Bond documents. For example, Beneficial Owners of Series 2012 Bonds may wish to ascertain that the nominee holding the Series 2012 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

While the Series 2012 Bonds are in the book-entry-only system, redemption notices will be sent to DTC. If less than all of the Series 2012 Bonds of a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2012 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2012 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2012 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2012 Bonds at any time by giving reasonable notice to the City or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, certificates representing the Series 2012 Bonds are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates representing the Series 2012 Bonds will be printed and delivered to DTC.

The information in this Appendix F concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but neither the City nor the Underwriter take any responsibility for the accuracy thereof.